

1. CALL TO ORDER

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

2. APPROVAL OF CONSENT AGENDA

Director Garvey motioned to approve the consent agenda. Director Rhoades seconded. The motion was voted on and carried. Director Cokes motioned to pull the May meeting minutes and to approve them with amendments that were discussed. Director Sibold seconded. The motion was voted on and carried.

3. MEMBER OR CONSUMER COMMENTS

Director Cokes informed the board that the Ridgway Fire Department is pleased with the assistance the fire department is receiving from Wiley Freeman for the solar installation.

President Felicelli reported that he received a recommendation that San Miguel Power get into the fiber optic business. The board discussed recent issues in the service area when regional phone and Internet services went down.

Annual Meeting Feedback

The board members commented that besides it being too hot, the food was good, and the theme was great. One director received a complaint about the prayer at the meeting. Another director received feedback that it was difficult for some members to get to the meeting in time due to work and that it would be easier to attend if the meeting were a bit later in the evening. One suggested that although there was a good number of people in attendance, the percentage of members attending and the percentage who voted were low. President Felicelli suggested more time be spent on looking for guest speakers in the future.

The sound system worked well for the audience, but it was difficult for some of the board members to hear from the table in front of the audience. Brad Zavorski suggested SMPA may need to purchase a monitor speaker.

Manager Zavorski congratulated Directors Garvey and Sibold on their re-elections. He also thanked Alex Shelley for his time and energy planning the annual meeting.

4. CEO REPORT

Introduction of Employee Guests

New Mechanics/Warehousemen Greg James (Nucla) and Chris Falk (Ridgway) were introduced to the board, and they told the board a bit about themselves.

Corporate Donations

The board discussed the CoBank Sharing success. They have been approved for matching funds of \$5,000 each. \$10,000 will be put back into the fund held at the Montrose Community Foundation. The committee consists of Director Garvey, Director Justis, and Director Rhoades.

The committee will use the same format as last year asking that each grantee seek matching funds. There was a question as to whether grant proposal applications will include language stating that the grants will only be awarded to non-profits, and it was decided that staff needed to research this.

The board reviewed the following donation applications:

- a) VFW Post 9058:
Director Garvey motioned to approve the donation of \$1256 to the VFW Post 9058 for the purchase of a sound system to be used at veterans' funerals and in area parades. Director Justis seconded. The motion was voted on and carried.
- b) Montrose Community Foundation:
No board members made a motion to approve the request for advertising funds since the events are outside of SMPA's service territory
- c) Friends of the Wright Opera House:
Director Rhoades motioned to approve the donation of \$500 to the Friends of the Wright Opera House for the No Holds Bar Shakespeare Festival. Director Alexander seconded. The motion was voted on and carried.
- d) West End Public Schools—3D Printer:
The board members asked SMPA staff members to request more information from West End Public Schools to include the percent of the student population that would benefit from the new 3D printer and whether or not there was a cost-share opportunity. Director Alexander asked to the table the vote until next month.
- e) West End Family Link Center:
Director Cokes motioned to approve the donation of \$810 to the West End Family Link Center for the purchase of a 20.9 cf upright freezer to store food for the Food Bank. Director Garvey seconded. The motion was voted on and carried.
- f) Town of Silverton—Silverton Fireworks:
Director Rhoades motioned to approve the donation of \$100 to the Town of Silverton for fireworks. Director Alexander seconded. The motion was voted on and carried.

Board Donations

Director Felicelli requested to donate \$100 to the Telluride Fire Department for fireworks, and Director Alexander requested to donate \$200 to the 4-H/SMC County Fair Board for belt buckles.

Rich Macke-Review Draft 2016 Rate Study and Rate Change proposals (phone call and presentation at 11am)

The board members were provided with a hand-out of the presentation that Mr. Macke showed on the overhead. The presentation was to help educate board members on the process of rate studies and rate changes, and no rate decisions were made at the June board meeting. The three topics covered were Revenue Requirements, Cost of Service and Rate Design Options.

Discussion included demand rates, access charges, timing of rate changes, rate hearings and communication plan. Director Cokes asked the staff to follow-up with the board regarding how many SMPA members are in the different usage categories. President Felicelli commented that SMPA's access charges are the lowest of the neighboring coops while the kwh is the highest.

Jim Link recommended a four-month period to complete the rate change process. President Felicelli commented on the importance of communication to our members. The board members agreed the bar graph used in the presentation was easy to read and might be a good tool to use for member communications, and the rate design slide on page 24 showing areas of focus/interest would be helpful in the decision-making process. Manager Zavorski explained that SMPA has a communication plan to explain access fees as well as to inform the members of an expected rate increase.

Finance

Review and Accept 2015 Audit

The board asked if the timing of getting information to the auditors was better this year. Cal Rutherford explained that it was better and that it is expected to improve. Director Cokes asked about the statement on page two of the audit that the audit was not an opinion of internal controls. She asked if SMPA should consider getting a separate audit of internal controls. General Counsel, Jim Link, explained that the small number of staff members at SMPA makes it a challenge to segregate duties for internal controls. Cal Rutherford recommended the board ask the auditor his opinion while in executive session in the afternoon. Director Justis asked how the board can be assured that the cost of construction projects is being controlled. Cal Rutherford explained that RUS audits project costs (accounting) every three to five years.

Bank Signers

Cal Rutherford informed the board that he would like to sign SMPA up for online banking with Citizens State Bank of Ouray for all Citizens State Bank accounts with access for each of accounting departments members: Calvin Rutherford, Joshua Hailey, and Kelly Truelock.

Director Alexander motioned to approve online banking with Citizens State Bank for Calvin Rutherford, Joshua Hailey, and Kelly Truelock. Director Garvey seconded. The motion was voted on and carried.

Cal Rutherford explained that SMPA needed to update bank signers with Brad Zavorski being selected as the new CEO/General Manager. He also recommended the board add Staff Accountant Joshua Hailey as an additional staff member who could sign checks when Cal is not available.

Director Alexander motioned to approve adding Brad Zavorski and Joshua Hailey and removing Jim Link and Kevin Ritter as signers on SMPA's bank accounts. Director Sibold seconded. The motion was voted on and carried.

Renew Auditor Contract

The board will wait to receive the audit Power Point presentation before voting at next month's meeting.

Discuss Proposal to retire \$1 million in capital credits

SMPA would like to get to a 20-year cycle for retiring capital credits but is currently at 28-29 years. Cal Rutherford informed the board that SMPA is in good financial shape, and the cash is available to distribute. He also explained the giving capital credits is a way to correct equity levels. SMPA received approximately \$204,000 from Tri-State Generation & Transmission and \$45,000-\$50,000 from Western United. President Felicelli expressed concern that the community may not understand SMPA giving money back at the same time SMPA is considering a rate increase.

Discussion followed with input from each board member regarding following SMPA's Equity Management Policy, members' concerns, following cooperatives' business models/plans and cooperatives that were sued for not following their plans. Director Rhoades asked for Jim Link's opinion. Jim pointed out the following concerns: violating coop principles could affect a coop's tax status; not following financial plan, and rate increase mitigation.

Director Rhoades motioned to approve releasing \$1,000,000 in capital credits on a first in first out basis. Director Alexander seconded. The motion was voted on and carried with one opposed vote by Director Justis. The capital credit checks will be processed by the end of July.

Marketing & Member Services

Basin Clinic Grant Request-update

Brad Zaporski informed the board he spoke with Basin Clinic board member Chris Daniels at the SMPA annual meeting. She notified Brad that the presentation given at the May board meeting was preemptive and not approved by the Basin Clinic board as a whole. The Basin Clinic has withdrawn their request at this time with regard to the USDA REDLG (Rural Economic Development Loan-Grant) .

San Miguel County Fairgrounds and Meter Aggregation for the purposes of net metering Wiley Freeman contacted Deanna Burbridge at the fairgrounds. Meter aggregation is an option for them at this time, but they are not moving forward right now. SMPA spent much time researching meter aggregation, where one contiguous property would be all in one rate class. ATS can handle this with a request for functionality if we had specific accounts that were interested, such as ranches, etc.

Wiley Freeman, Paul Hora, and Director Cokes are part of the Ridgway-Ouray Clean Community Committee's Clean Energy Committee. The committee is assisting Ridgway School with an LED upgrade. The Solarize campaign is working to lower costs of solar installations with bulk purchasing and sharing of information. SMPA is hosting the next three committee meetings.

Information and Technology

The Telluride server is going to be moved from a closet to a room with an A/C unit to help control the server temperature and avoid alarms for overheating. Brad explained that he approved the purchase of the \$7,000-\$8,000 A/C unit that was not in the budget but was needed.

Administration & Human Resources

Ridgway Shop Expansion Update

Originally the Ridgway shop expansion of a wash bay and 3-bay shop was budgeted for \$150,000. After the budget override, the budget is now \$325,000. Soil testing at the site determined a need for micropiles for engineering approval due to expansive clay. This increases the cost of construction by approximately \$50,000. SMPA is moving forward with the wash bay at this time. Duane Oliver suggested that SMPA could possibly build a lean-to rather than a 3-truck bay shop to reduce construction costs, but that may not be adequate. Manager Zaporski explained that SMPA will make sure the shop is needed before it is built, and he added that safety is somewhat of a concern. Carla reminded the board that the project is time-sensitive as winter approaches. Manager Zaporski will come to the July board meeting with a recommendation.

Engineering

West End Reliability Project

Bill Riley explained that the West End Reliability Project is complete at this point. The new transformer went into service on Wednesday, June 22, and operations were tested the following day due to a

lightning strike on Monogram. Previously power would have been knocked out in Nucla and Naturita and not just Paradox after such a strike.

Telluride/Mt. Village Reliability Project update

The project had been moving slowly while SMPA waited for the Lawson Hill easement. Bill informed the board that the easement has finally been recorded, and a permit is pending.

Duane Oliver told the board that the restructure of having the Area Service Techs is working very well and work flow is being scheduled much more efficiently.

Policy Review

There were no policies to review this month.

Attorney's Report

Director Rhoades made a motion at 1:33 PM to enter into executive session to discuss the 2015 Audit with Kevin Kelso and to discuss personnel issues. Director Cokes seconded. The motion was voted on and carried. The board entered into executive session at 1:33 PM and came out at 2:46 PM. While in executive session no decisions were made nor votes taken.

Associated Meeting Reports

CREA – Dave Alexander

Director Alexander reported that he missed the CREA meeting because he was moving cows. President Felicelli suggested sending a thank you to CREA Executive Director Kent Singer for coming to SMPA's annual meeting. He also informed the board the NRECA has a new CEO

who is from Utah. There was some discussion about inviting him to attend a board meeting and meeting him. The board requested that Kent Singer be thanked for attending the Annual Meeting.

Western United –Dave Alexander

Director Alexander reported that Western United has a new office open in New Mexico. They have approved the purchase of a machine to test blankets, gloves and hoses, which will be added to the testing facility. The Brighton, Colorado office will continue to serve southwest Colorado. Bob Formwall is the new president. Western United is looking into selling complete solar units/systems that they could sell to power companies. Power companies could then install them and sell maintenance contracts. The installations would require trained installers.

Tri-State – Jack Sibold

Proposed Strategic Planning Resolution

Director Sibold told the board he would email the slide show to everyone to save time. He explained that he was not allowed to give details of the strategic planning meeting, but he was able to give a list of topics discussed which included: organized markets, standby rates, clean power plan, land management, presentation on FERC, energy storage, cyber-security, budget drivers, Holcomb plant, Basin Electric mid-year rate increase and DMEA FERC decision. The Tri-State meeting also included a presentation on small modular nuclear power plants.

Director Sibold also mentioned that Kit Carson officially ended their contractual relationship with Tri-State as of June 27th.

Brad Zaporski presented a board resolution letter from Northwest Rural Public Power District (NRPPD) asking that Tri-State produce an executive summary of topics and results from the Strategic Planning sessions, excluding confidential business matters, and prior to holding a Strategic Planning session, that the stakeholders of the organization are polled, interviewed or surveyed so as to include that input for consideration during the planning session. Director Justis moved that SMPA write a letter of support to the board resolution presented by NRPPD. Director Cokes seconded. The motion was voted on and carried with Director Sibold abstaining.

Strategic Planning

Manager Zaporski explained that SMPA must allow QF's (Qualifying Facilities) to interconnect the SMPA system. Because of the recent FERC decision Manager Zaporski believes this can be done at a purchasing rate that would work for developers and still be less expensive than Tri-State's wholesale rate. An example of this is Pandora hydro which was grandfathered into the Member Load Offset option of TS policy 115 and from which SMPA is currently purchasing power at 15% below what we pay Tri-State. One option to encourage local Renewable Energy development would be to do a system wide study to see where and at what capacity the SMPA system could handle QF development, however Zaporski suggests that discussions with Tri-State about their plans are needed. Political fall-out with Tri-State should be considered.

Cooperatives are required to publish a rate. SMPA's avoided cost of energy is currently what we pay. Because Tri-State has refused any flexibility with Policy 115 the federal law mandating that we interconnect QF's could be seen as another option to Policy 115. QF's could be incentivized

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to increase local renewable energy resource deployment, but SMPA needs to understand exactly what Tri-State's next steps are to fight the federal legislation and to maintain a good relationship with Tri-State. SMPA and Tri-State are both cooperatives with SMPA a member of the Tri-State coop.

Board Calendar Review

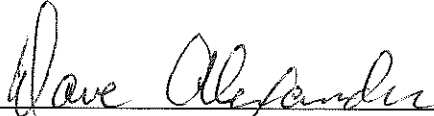
Manager Zaporski signed up for the ACEEE (American Council for an Energy-Efficient Economy) conference on utility efficiency and policy regulation the week of August 23rd, several months before moving into his new position. Some of these costs are non-refundable, therefore Zaporski consulted the SMPA board on whether he should still attend. The board agreed that he should still attend. The August board meeting will be held on August 30, 2016.

Next Meeting

The next board meeting will be held on Tuesday, July 26, 2016 in Ridgway at the SMPA office.

Adjourned

Director Garvey made a motion to adjourn the meeting at 3:40 PM. Director Rhoades seconded. The motion was voted on and carried.



Dave Alexander, Secretary/Treasurer