

Record of Proceedings
San Miguel Power Association
Board of Director Meeting Minutes of
August 30, 2016 (Silverton)

1. CALL TO ORDER

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

2. APPROVAL OF CONSENT AGENDA

Director Alexander motioned to approve the revised agenda, July meeting minutes and re-ratifications. Director Garvey seconded. The motion was voted on and carried.

3. MEMBER OR CONSUMER COMMENTS

Directors have received thank-you's for capital credit checks. President Felicelli suggested sending a letter of explanation with future capital credit checks as to what the checks are for and which years are being paid. Director Garvey thought she should have received a capital credit check for her business DJ Fashions, and brought it to SMPA's attention to look into to help assure no other members were missed.

President Felicelli met with Ouray County Commissioner candidate Amy McBride regarding the need for broadband services in Ridgway and the rest of Ouray county.

President Felicelli received a complaint from a neighbor at 100 Gold Hill Circle that there is an old meter box by the driveway that has not been in use since the meter was moved to the side of the house. Manager Zaporski explained that SMPA will follow-up with the home owner.

Charles Mueller with the Ridgway Fire Protection District (Corporate Donation Request)

Charles Mueller, Chief Miller, and Captain Christy with the Ridgway Fire Protection District presented the board with a donation request for \$50,000 to help pay for solar power intended as back-up power for emergency operations as part of the remodel and addition to the Ridgway Firehouse. The original firehouse was built in 1983. The remodel and addition would meet the needs of the community for the next 50 years. Ridgway Fire Protection District would like to partner with SMPA to help fund the 14kw solar installation. The firehouse is located next to the town park, and the district is receiving \$600,000 from DOLA to help fund the remodel project. President Felicelli suggested the fire district look into other grant opportunities. Manager Zaporski explained that the fire district would be eligible for approximately \$7500 in rebates from SMPA for the solar installation. Captain Christy added that the volunteer fire department has raised \$65,000 over the last ten years to help pay for the project. The board members also suggested looking into the USDA grant and adding a communication piece in SMPA's monthly newsletter to help solicit donations.

4. CEO REPORT

Introduction of Employee Guests

Safety Committee Members attended the meeting. Darcy Weimer has been with SMPA for nine years as a lineperson. Eric Pottorff, Ridgway area service tech, has been with SMPA for 12 years, and he has been very busy with new services lately. Lester Oltjenbruns has been with SMPA for 22 years. He is over AMI and SCADA. Paul Enstrom, Safety/Regulatory Compliance Coordinator, has been with SMPA for 29 years.

Corporate Donations

The budget for corporate donations is \$25,000. Manager Freeman said that SMPA has spent 50-60% of that year-to-date. The board reviewed the following donation applications:

- a) Bright Futures for Early Childhood and Families request for \$5,000

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Alex Shelley met with Kathleen from Bright Futures who explained that the funds would be used for the Parents as Teachers program which includes in home face-to-face contact and education in most of SMPA's service territory. Education will include energy efficiency. Director Garvey asked if they were getting funds from other sources or if they were planning to use SMPA's funds for their full budget for the program. Alex Shelley will get more information and bring it to the September meeting, so the board can make a donation decision at that time.

b) Ridgway Fire Protection District:

Discussion regarding the request for \$50,000 included: SMPA's rebate is generous; approving this could set a precedence and lead to more large donation requests; it would be good public relations; the clean energy committee could help; there are no-cost ways to help such as soliciting support via SMPA's newsletter; the rural development grant could possibly be used; and Western United's inexpensive solar kits could possibly be an option.

Board Donations

Director Rhoades would like to donate \$200 to Hardrockers Holidays and \$200 to the Ouray Fire Department. Director Alexander would like to donate \$100 to the Norwood Elementary School. He would like to make the donation in person. Alex Shelley will coordinate with Director Alexander to take a photo at the school when the donation is made.

Finance

Finance Report Review and Discussion

President Felicelli asked that TIER and O TIER be added back into the Budget vs Actual finance report. Managers Zaporski and Rutherford explained that those ratios are affected seasonally as SMPA breaks even or loses money in the summer months and has the biggest margins in the winter months. Manager Rutherford suggested the board look at the cumulative year-to-date numbers more than the monthly ratios. The net margin variance of \$847,000 is due to selling more kwh plus more demand charges than budgeted. Improved local economy could be a possible explanation, but SMPA is not sure if this increase in revenue will continue. The large Telski increase is due to their purchase of The Peaks resort. Director Justis asked if the increased revenue can be used to soften the rate increase. Manager Zaporski explained that the wholesale power rate increase is not temporary while the increased revenue to SMPA may be. SMPA has applied for to draw down \$5.2 million of its pre-approved loan \$3.5 million will be used to pay off short-term loans.

Rate Discussion

Two new rate options (#2 and #4) were added to the Comparison of Monthly bills table on page 25 of the board packet. They split the middle of options 1 & 3 and options 3 & 5. The final Tri-State Generation & Transmission (TSGT) proposed rate increase is included in the rates on the chart. However, many of the electric coops are asking TSGT to use deferred revenue to soften the rate increase to 5%. TSGT will meet September 8th to vote on the final rate increase amount. The decision to be made by SMPA is based on how much of the increase to put into the access charge versus into the energy use charge.

President Felicelli asked fellow board members to give their input and to voice which option each is currently leaning toward. Discussion followed. SMPA will probably get negative feedback regardless of the amount of the rate increase. SMPA has reduced staffing in the last few years while member numbers have increased. SMPA should inform members that the rate increase is due to the TSGT rate increase and the need to bring the access charge up to where it should be. Basin Electric gave a mid-year 12% increase to TSGT this year. It is important to explain to low-use and solar members that innerconnect maintenance is required regardless of the amount of

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their power usage. There is concern that those with multiple meters and those with lower incomes could be hit hard. SMPA needs to look at the number of members who will be hit with an increase and consider competitive pricing, not just covering costs. SMPA needs a market-based decision to remain competitive with concern that large users will be inclined to go off the grid due to lower access fees and higher use fees. Manager Riley reminded the board that low income does not always equal low usage as those members may not be able to afford energy-efficiency. There was a suggestion not to break the \$20 barrier with the access charge. It is important to express to our members how difficult of a service area we have to provide service in. The rate re-regulation that happened in the past due to a complaint to the PUC was also discussed. The directors discussed which rate schedule options they preferred at this point and gave reasons as to why.

There will be public rate hearings on October 17, 18 and 19 in Telluride, Ouray, and Naturita. Manager Freeman asked the board if SMPA will present all five rate options at those hearings. President Felicelli suggested narrowing the options down to two for the public rate meetings. Member services will share the sample member presentation draft at the September board meeting.

Marketing & Member Services

Renewable Energy Rebates given this year are less than last year due to the community solar project being sold out last year.

Update on SMPA IQ solar program

SMPA received a letter of approval from the Colorado Dept. of Public Health and Environment (CDPHE) for IQ solar program. The lease with San Miguel County (SMC) is being worked out including a mitigation plan for the prairie dogs and noxious weeds. SMC has been very supportive of the project including in-kind work such as digging the well.

New Net Metering Account Informational Brochure

Alex Shelley gave board members copies of the new brochure that is given to members who are interested in net metering.

CoBank Sharing Success/Montrose Foundation Economic Development Program

The Montrose Foundation reviewed the old RFP, press release and letters that are given to key organizations to make sure they were okay with the wording. Future discussions on the program will be done in committee. Director Garvey suggested adding wording to the materials that the grant requires matching grant funds. Director Justis explained that for-profits are allowed to apply as long as the program being funded is charitable.

Lightning Bug Photos

Alex Shelley shared photos of SMPA's lightning bug (Volkswagen). These photos will be given to the students who helped in building the car.

Member(s) Request for larger than 10kW residential solar system

SMPA has received two more requests for variance approvals for large, residential homes that need more than 10kW residential solar systems to approach net metering. Manager Freeman explained that neither member is asking for an oversized system.

Director Rhoades motioned to approve the variances for the two requested larger than 10kW net metering residential systems. Director Sibold seconded. The motion was voted on and carried. Discussion regarding a possible policy change to a 25kW threshold followed. Manager Zaporski explained the difference between

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virtual net metering (meters on different properties within the service area) and meter aggregation (meters on the same contiguous property).

Information and Technology

SMPA has finished rewiring the Telluride and Nucla server rooms.

Administration & Human Resources

SMPA received 34 applications for the Executive Assistant position. Interviews will be scheduled next month.

Ridgway Shop Expansion Update

The wash bay framing is underway. Director Garvey expressed her appreciation for the staff taking cost into consideration when making decisions.

Approval of Employee Grievance Procedure, Possession of Firearms Policy, and Violence in the Workplace Policy

Director Justis motioned to approve the Employee Grievance Procedure, Possession of Firearms Policy, and Violence in the Workplace Policy. Director Garvey seconded. The motion was voted on and carried.

Engineering

Telluride/Mt. Village Reliability Project update

Manager Riley informed the board that the bore under the river was successful, conduit has been installed, and SMPA is working on San Miguel County permitting and a few easements along Ilium Road. Tri-State is paying for half, so they have the right to review the bids.

Budget override to replace damaged equipment at the Gyp Valley substation

On August 4th, one of three transformers failed at the Gyp Valley substation. It was manufactured in the mid-1950's. SMPA managers recommend replacing all three transformers with three-phase units. Director Sibold motioned to approve an amendment to the current construction work plan and a budget override not to exceed \$300,000 to replace the Gyp Valley substation transformers with three-phase units. Director Alexander seconded. The motion was voted on and carried.

Operations

Moving to 24/7/365 dispatch from DMEA

Manager Oliver notified the board that SMPA will be moving to 24/7/365 dispatch services from Delta Montrose Electric Association (DMEA). Currently SMPA provides dispatch services for 40 hours per week in-house, and DMEA covers the remainder. This is only a small percent of total time but presents challenges in communication and SCADA safety when passing operational authority back and forth. The switch to DMEA will provide more consistency and safety.

Director Garvey notified SMPA staff of a possible liability/safety issue on SMPA's property in second park in Nucla as it is being used as a personal arena.

Silverton Warehouse and Facilities Issues

SMPA has the following properties in Silverton: warehouse vacant land/pole yard, house Jeff Shea lives in with small garage and small office, six contiguous town lots with utilities available, and cement creek substation on approximately 14 acres. The substation property is being surveyed to identify property lines due to an OHV

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route that goes by it. The property is not fenced off, so sometimes people camp on the property. Also, they spin on their OHV's which throws gravel into the transformers. SMPA plans to shut down access somehow after the survey is complete. It will probably not be cost effective to fence the entire 14 acres. The second issue is that there is no enclosed storage in Silverton for the line truck, bucket truck and transformers and no housing for linemen who cover the area when Jeff Shea is out of town. SMPA is looking into options for building a warehouse with a small bunkhouse on one of the Silverton properties.

Safety and Regulatory Compliance

Safety Program Presentation

Paul Enstrom, SMPA Safety/Regulatory Compliance Coordinator, explained SMPA's participation in CREA's RESAP program which includes safety audits and developing a safety plan. SMPA lineperson Darcy Weimer presented a safety slogan and logo contest idea that she brought to the safety committee. The contest will include employees by getting them involved in creating a new safety slogan and a logo that SMPA can use on posters, bumper stickers, sweatshirts, etc. The contest winners will receive Yeti coolers.

Directors Sibold and Justis requested that the board receive a safety report each month, and Director Garvey asked for a monthly outage summary report.

5. ATTORNEY'S REPORT

General counsel James Link was not in attendance at this meeting to give an attorney's report, and the board did not go into executive session.

6. STRATEGIC PLANNING

Tri-State and our 5% limit (QF discussion)

Director Justis recommended SMPA move forward with a strategic plan for QF's. If SMPA is not going to sign a waiver, then we must publish rates. Manager Zaporski explained that SMPA is currently working off of the avoided cost of energy rate and calculation that SMPA has used since the 1978 PURPA law, which has historically been equal to Tri-State's avoided cost of energy rate. Manager Zaporski explained that due to recent events SMPA can look at calculating the avoided cost of energy at the distribution level as opposed to the wholesale level yet it may not be enough to make it worth the expense for 100kW or smaller QF's. Director Justis requested that Manager Zaporski bring a proposal regarding QF's to the September board meeting. Discussion included the idea of moving forward cautiously until SMPA fully understands the ramifications of interconnecting QF's. It is known that Tri-State is charging other fees and is looking to increase transmission costs to the co-ops that implement QF's. Therefore it is prudent to understand all costs and ramifications before proceeding with changing the QF rate.

Board Retreat (w/ Greg Piburn?)

The board discussed the plan for a strategic planning session and whether or not a facilitator was needed. It was decided that a facilitator was not needed, and President Felicelli will inform Mr. Piburn.

Discussion on letters received by Tri-State regarding rates

Tri-State has received a dozen letters from electric cooperatives supporting Poudre Valley's request for a reduction in the rate increase to 5% or less. Discussion followed about how reducing the increase now, may lead to an even larger increase in the future to cover the mid-year rate increase from Basin and the need to purchase selective catalyst inverters which cost \$180 million each. Director Rhoades moved to write a letter in

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support of Poudre Valley's position to lower the rate increase. Director Justis seconded. The motion was voted on and carried.

7. ASSOCIATED MEETING REPORTS

CREA – Dave Alexander

Director Alexander attended the monthly meeting where CREA talked about upcoming bills and ballot issues and discussed dropping resolutions. CREA is having a hard time getting safety staff to all of the Colorado cooperatives each year and is considering moving to every other year.

Western United –Dave Alexander

Director Alexander reported that the Western United fish fry was really good and that the company is doing well with increasing profits.

Tri-State – Jack Sibold

Director Sibold attended the contract committee meeting and reported that the renewables and technology tidlewave approaching are two big concerns in SMPA's future.

Eco Action Partners – Jack Sibold

The Eco Action partners meeting was scheduled for the day following SMPA's board meeting.

8. BOARD TRAVEL

Manager Zaporski, along with all board members except Directors Rhoades and Garvey, plans to attend the CREA meeting in Denver in September.

9. MISCELLANEOUS

Election of Representatives to outside organizations

Organizations will send notices to SMPA when it is time to elect new representatives.

10. BOARD CALENDAR REVIEW

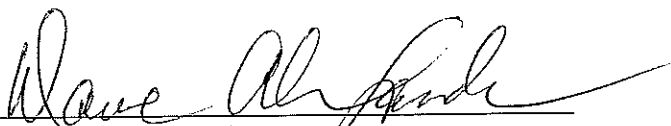
The next board meetings are on September 27 and October 31 in Ridgway and Nucla respectively.

11. NEXT MEETING

The next board meeting will be held on Tuesday, September 27, 2016 in Ridgway at the SMPA office.

12. ADJOURN

The meeting was adjourned by President Felicelli at 3:29pm.



Dave Alexander, Secretary/Treasurer