

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 Justis motioned to approve the revised agenda, re-ratifications and August meeting minutes as amended. Director Garvey seconded. The motion was voted on and carried.

3. MEMBER OR CONSUMER COMMENTS

Director Rhoades asked for an update on the installation of the Silverton street lights. Manager Oliver explained that SMPA plans to install the lights in the next couple of weeks, weather permitting. Director Rhoades also informed SMPA that he heard from Anthony Edwards that there was a possible issue with hanging the wires or attachments. Manager Zaporski said he would follow up with Mr. Edwards for clarification.

Director Alexander was approached by Janet Kask, Director of San Miguel County Park and Open Space, requesting that SMPA waive the fees to replace the poles in the outdoor arena at the fairgrounds. The estimated cost is \$4,633. Discussion included the services that have already been donated to the fairgrounds this year as well as the work/income that it would possibly take away from a local electrician who could do the work.

Director Cokes asked what the protocol is when directors need to forward concerns and comments to SMPA. All comments and concerns should go to Manager Zaporski, and he will forward to the appropriate staff members. Board members are also welcome to copy other staff members on correspondence when they feel it is appropriate. Director Cokes also gave the board updates on the Clean Energy Committee.

Director Garvey received a message from a member who had trouble getting someone to answer the SMPA phone. It was uncertain if the member was trying to call during business hours (Monday through Thursday 7:00am to 5:30pm). Manager Zaporski explained that SMPA is actively working on managing the high call volume.

San Miguel County Commissioner Candidate Terri Snyder Lamers introduced herself to the board. She gave a brief history and explained her desire to represent the west end at the county level.

4. STRATEGIC PLANNING

Tri-State and our 5% limit: Proposal regarding QF's, QF Tariff, and Hosting Capacity Study

At last month's meeting Director Justis requested a proposal regarding QF's to ensure that SMPA is in compliance with Federal Law, the Public Utility Regulatory Policies Act (PURPA). Manager Zaporski explained that SMPA is already in compliance and that SMPA will continue to use Tri-States avoided cost of energy, as currently part of SMPA policy, until SMPA has had a chance to finish their policy analysis. Zaporski is already working with SMPA's rate consultant on an avoided cost study. His suggestion is to continue to wait until it is fully understood what the process, fees and requirements of Tri-State are going to be and how Tri-State is going to react to DMEA exceeding the 5% limit. Without knowing these things it will be difficult to give developers an accurate picture or the costs they will be facing. Tri-State may look to other ways to recover the lost revenue in order to cover fixed costs. Possible ways to cover the costs and/or penalize cooperatives who exceed the 5% limit are increased transmission costs, increased stand-by costs and requirements for expensive

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transmission system impact studies. President Felicelli asked for Jim Link's legal opinion. It was agreed that the topic would be covered during executive session.

Manager Zaporski has reached out to DMEA to see how Tri-State handled the billing for Drop 5. It is a legal issue, and DMEA may go to the regulating body of FERC if Tri-State bills them for any of the charges/penalties listed above. Director Rhoades asked if DMEA had to pay for a system impact study. Manager Zaporski will ask them.

Manager Zaporski presented a tentative QF Proposal with the caveat that more research is needed. Under his proposal, the QF rate would be SMPA's wholesale cost of energy which is \$0.0403 kwh. The proposal included eligibility for a demand-side management program where a percentage of SMPA's demand savings on the wholesale power bill resulting from a QF's generation profile could be passed on to the QF. It also included a hosting capacity study. The hosting capacity study would be needed to find out what the distribution system could host. It would be a switch in the way the distribution system works. On November 1, the SW Managers meeting will include engineers from Western Slope cooperatives to help determine where QF's could be added without significant expense and impact. Discussion about the possible ramifications that need to be considered followed.

Director Sibold attended the TSGT contract committee meeting where they polled the committee members regarding Policy 115 and increasing the 5% limit. More members said they would vote in favor of increasing the 5% limit than in previous years.

Board Retreat and Strategic Planning

none

5. CEO REPORT

Introduction of Employee Guests

Manager Zaporski explained that Paul Hora and Alex Shelley were the employee guests, and that they were attending the meeting to assist him with the rate presentation.

Corporate Donations

The board reviewed the updated list of corporate donations, and Manager Zaporski clarified that the year-to-date total given at the August meeting did not include SMPA's \$5,000 matching grant funds for the CoBank Sharing Success, and it should have. Including those grant funds and corporate donations that were sent during September, SMPA is currently about \$4,700 over budget in corporate donations. Alex Shelley explained that the overage includes some fairly large donations that were new this year and therefore not included in the budget. Director Rhoades motioned to approve a \$10,000 budget override for corporate donations. Director Garvey seconded. The motion was voted on and carried.

The board received answers from Bright Futures after last month's meeting. Director Sibold motioned to approve a \$1,000 corporate donation to Bright Futures. Director Garvey seconded. The motion was voted on and carried.

Board Donations

There were no board donations at the September meeting, but the board requested a list of year-to-date board donations at the next board meeting.

Finance

Manager Rutherford informed the board that SMPA received a new proposal from Kevin Kelso for the audit. Discussion followed regarding the possibility of doing a request for proposal (RFP) or using the same firm but a different lead in the future. The new proposal includes a \$1,200 increase. Director Alexander motioned to approve the new audit contract with Kevin Kelso. Director Sibold seconded. The motion was voted on and carried.

Director Justis requested Form 7 education for board members at a future board meeting.

SMPA drew \$5.2M of the \$8.4M loan allocation at a low interest rate of 1.94%.

Rate Discussion and Presentation

TSGT voted to use \$40M of deferred revenue to offset the rate increase. They are giving a 4.23% increase in the wholesale energy rate to coops with an estimated 2-3% increase again next year. SMPA will host member/community rate educational meetings prior to the board making a motion to increase SMPA's rates. The cost study indicated that an access charge of \$25 would be a more balanced access charge to cover costs. The average access charge in the SW cooperatives is \$26.35 while the average energy rate is \$0.1121 kwh. SMPA is using Rate Schedule 1 for the presentation with the understanding that the increase for the chosen option will be applied to the other schedules/classes. There was a discussion on which options to present at the member meetings. The focus group discussion results were included in the discussion. The average residential increase is 4.23% regardless of which option is chosen. The board narrowed the options down to rate schedule 1, option #3, 4 and 5 to be presented at the member rate meetings. Manager Zaporski showed the board the presentation that will be given to the members at the rate meetings. Discussion on possible questions and needed clarifications was included. A vote on a rate is needed at the October board meeting in order to meet the timeline for a January 1, 2017 effective date.

Marketing & Member Services

Managers Zaporski and Freeman attended an affordable housing meeting for the Ouray/Ridgway area. Only three of 22 Ridgway employees currently live in Ridgway.

Update on SMPA IQ solar program

SMPA is still working on the lease with San Miguel County.

Update on LED Lighting

Paul Hora was the SMPA lead on the installation of LED street lights in Nucla, Naturita, and Norwood. It was a successful project; however, the bulbs are showing failure due to a problem with the soldering in the bulb, which causes the light to start to strobe. SMPA has already replaced some of the faulty lights with other inventory. 185 lights were installed with close to a 10% failure rate. The manufacturer has taken responsibility and will replace the faulty bulbs at their cost. The new lights will be dark sky compliant with lower spectrum LED. As discussed earlier in the meeting, Silverton is waiting for installation of their street lights.

Information Technology

There were no additions to the board report.

Administration & Human Resources

There were no additions to the board report.

Approval of Local Purchase Policy and Distracted Driving- Cell Phone Policy

Director Rhoades motioned to approve the Local Purchase Policy and the Distracted Driving- Cell Phone 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 USFS report has been received, and SMPA is scheduling a meeting with San Miguel County regarding road closures that will be needed.

Operations

Manager Oliver told the board that he and Manager Freeman met with DMEA regarding a contract for 24/7/365 dispatch services that will start on January 1, 2017.

Safety and Regulatory Compliance

SMPA is bringing in an auditor for PCB compliance. Also, employees will be judging the safety slogan and logo contest.

CEO Schedule- Oct 7 Tri State New CEO Orientation

Manager Zaporski was invited and will try to attend the New CEO Orientation hosted by Tri-State on October 7th.

6. ATTORNEY'S REPORT

Director Sibold made a motion at 2:03 PM to enter into executive session. Director Justis seconded. The motion was voted on and carried. The board entered into executive session at 2:03 PM and came out at 2:45 PM. While in executive session no decisions were made nor votes taken.

7. ASSOCIATED MEETING REPORTS

CREA – Dave Alexander

Director Alexander had nothing to report from CREA.

Western United –Dave Alexander

Director Alexander had nothing to report from Western United.

Tri-State – Jack Sibold

Director Sibold gave a presentation showing rate information from other G&T's as well as budgets and operating expenses.

Eco Action Partners – Jack Sibold

Director Sibold had nothing to report from Eco Action partners.

8. BOARD TRAVEL

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none

9. MISCELLANEOUS

none

10. BOARD CALENDAR REVIEW

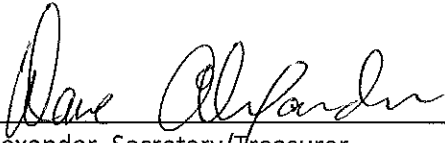
The member rate discussion meetings are scheduled for October 17, 18, and 19 in Telluride, Ouray and Naturita respectively.

11. NEXT MEETING

The next board meeting will be held on Monday, October 31, 2016 in Nucla at the SMPA office.

12. ADJOURN

Director Garvey motioned to adjourn the meeting at 3:20pm. Director Rhoades seconded. The motion was voted on and carried.



Dave Alexander, Secretary/Treasurer