

1. CALL TO ORDER

President Felicelli called the meeting of the San Miguel Power Association (SMPA) Board of Directors to order at 9:33 AM. All Directors were present.

2. APPROVAL OF CONSENT AGENDA

Director Garvey motioned to approve the revised consent agenda (September 26, 2017) to include the August 22, 2017 meeting minutes. Director Rhoades seconded. The motion was voted on and carried.

3. MEMBER OR CONSUMER COMMENTS

- Director Felicelli had several emails, calls and text messages regarding the Telluride/Mountain Village Reliability project about the revegetation process. Member, Nancy Craft has concerns and does not trust Williams Construction to restore properly. Director Felicelli explained that this will be supervised by the Forest Service. Other concerns voiced were regarding the access road and erosion.
- Manager Zaporski commented on some of the concerns regarding the Telluride/Mountain Village Reliability project. The access road runs from the Two Rivers subdivision to Skunk Creek. Along this road runs the natural gas line, transmission lines and now our lines. This was an existing road that was overgrown and now has been restored. San Miguel Power is planning a walkthrough of the trail with Telluride Mountain Club, San Miguel Bicycle Alliance, the County, the HOA groups and Forest Service this Thursday to address concerns.
- Director Justis has received emails from Kurt Johnson and Mr. Johnson thinks we are overstating our contribution to renewables. Manager Zaporski arranged a meeting with Manager Freeman and Mr. Johnson and feel that he now has a better understanding.
- Director Sibold commented that Gunnison County Electric Association, Inc. is loaning out three electric cars to their members. Tesla charging stations are becoming more common.
- Manager Zaporski explained that a large portion of the Volkswagen settlement in CO is going to EV charging infrastructure. Mike McBride from Gunnison County Electric Association, Inc. is making the cooperative statement and working to receive grant funds to aid in rural charging stations.
- Director Garvey updated the Board that Greg Keller from Tri-State arranged a meeting with Sarah Carlisle, Tri-State's Senior External Affairs Advisor (and also on the Transition team) and Director Garvey. They read an article in the newspaper about the West End Advisory Committee. This committee was formed to match grant money for local organizations. Mike McInnis very interested in the West End Advisory Committee and how they can play a part in the transition of the plant. Director Garvey was still confused after her meeting with Ms. Carlisle, but, hopefully this is what Mr. McInnis is looking for to help aid the community.
- Manager Zaporski commented that there was a Transition Team meeting last week and they claim to be looking at every available option for economic stimulus in the entire area. Manager Zaporski thinks they are taking their time on reviewing all of their options and doing a very thorough job reviewing their options.
- Director Alexander was at a water meeting in Nucla and there is a lot of concerns regarding Tri-State's water after the plant shut down and how that will be handled. Manager Zaporski said that this has come up several times in their meetings and that there has not been anyone from the community that is knowledgeable to give any input or comment in regard to the water. It

was suggested that they invite Mark Ragsdale, the local Water Commissioner to come to one of their meetings.

- Director Justis ran into George Greenbank with the Historic Commission and he was very grateful that Manager Zaporski attended their last meeting and showed support in regards to the Ames Hydro Plant. Manager Zaporski commented that he has built a contact with XcelEnergy at that meeting.
- Director Alexander attended a Norwood Council Meeting and Erica Lapsys spoke from the Telluride Foundation. There is a lot of concern from the community and SMPA on how Ms. Lapsys' approach to this project.
- Director Sibold said that Project 7 is planning to build a water treatment plant at the Ridgway Dam the estimate completion date is by 2021.
- Manager Zaporski introduced our new Staff Engineer, Mike Therriult. Mr. Therriult grew up in Maine and has experience in substation design. He also introduced Bill Mertz our new Chief Financial Officer, who has cooperative finance experience along with IT and is happy to be back on the western slope. Also in attendance is Jeff Shea, our Silverton Linemen along with his wife, Patty. Allyn Svoboda from Rico also joined the meeting.

4. STRATEGIC PLANNING

Improve system reliability. Complete final Red Mountain transmission analysis, with final recommendations- Bill Riley

Red Mountain Line

Red Mountain Line – Backup for Ridgway/Ouray/Colona
Concentrated tree clearing will continue.

Possible Options

1. Abandon the Red Mountain line and build a new transmission line into Ouray from a source other than Silverton or South Canal
 - a. WAPA 230 kV line near Colona
 - b. Montrose Substation
 2. Local Generation
 3. Rebuild existing Red Mountain Line.
 4. Do Nothing
- Staff met with Tri-State to discuss options and Tri-State participation in the re-build of the Red Mountain line. The first meeting was 9/19/17 in Denver. This would be a 110 project and Tri-State would contribute up to 50% and upon first review ≈ 1.6 million. Tri-State would like to review past reliability of this line over the last ten years. They see that one outage per year acceptable. Manager Riley thinks there has been at least four in the past four years. If they see reliability issues with this line they will re-evaluate adding additional contributions above the 1.6 million. Tri-State has committed to their analysis by the end of October.
 - Fly the line to collect LiDAR (Light Detection and Ranging) data. We will schedule the flight to occur between the time the leaves drop, and the first snow fall. Fall 2017
 - Finalize line design and cost estimate. Complete by end of 2018
 - Construct 9 miles of line as included in the 2017 – 2020 Construction Work Plan. Construction complete by the end of 2020.

Director Alexander motioned to approve moving forward with the Light Detection and Ranging study. Director Rhoades seconded. The motion was voted on and carried. This motion will be re-ratified at the October Board Meeting.

Strategic Initiative Update: Understanding the full value, and options, of our membership and contract with Tri-State G & T- Manager Zaporski

We are at a power supply decision point on how to proceed and how we would like to pursue other power supply options. Options discussed:

1. Release a RFP for power supply. This would affect our relationship with Tri-State. There would be little money spent other than administrative work associated with the RFP.
2. Independent third-party review. Look at employing consultant to review and tell us where we can get alternate power supply. Cost associated around \$25,000. This would be less formalized than an RFP, but, may still affect our relationship with Tri-State. This would not give us a Tri-State buy out estimate and would not include the transmission pancake costs that we would possibly want to add to the study (with additional costs). This study may satisfy some of the concerns of our membership.
3. In house study/research. We do not have the in-house expertise to do a full study. We would only be able to gather information.
4. Do not pursue at all.

In discussion it was suggested that we take a survey of the membership to determine what our members would like.

Strategic Initiative Update: Gain full Board understanding of current long term financial policy, and options, to create financial flexibility while maintaining rate stability. Manager Zaporski will work with Manager Mertz to educate the Board slowly to get to a place where we can review the long-term policy and options.

5. CEO REPORT

Employee Guests

New employees and guests were introduced during General Member Comments.

Corporate Donations

Director Garvey motioned to donate \$1,500 to the Telluride Mountain School for their annual Holiday Gala, requesting Basin Electric Power Cooperative to match SMPA's donation. Director Justis seconded. The motion was voted on and carried.

Board Donations

Director Garvey donated \$100 to the Nucla-Naturita Senior Citizens.

Director Garvey donated \$250 to the Family Link Center, for the food bank.

Finance Update

Form 7 Training

Manager Mertz gave the Board a basic accounting overview. Trial Balance, Profit & Loss Statement or Income Statement, and Balance Sheet were the reports that were reviewed.

Capital Credits

Manager Mertz would like to roll capital credits decision to next month.

Update bank authorized signatures

Director Justis motioned to change the authorized bank signatures (Resolution 2017-10) to reflect the authorized signatories to be: Manager Zaporski, Manager Mertz, Joshua Hainey, Director Felicelli, and Director Alexander on all accounts for Alpine Bank, Citizens Bank, and US Bank. Director Alexander seconded. The motion was voted on and carried.

RUS Board Resolutions for loan application

Director Justis motioned to approve as presented Resolution 2017-08 for the purpose of complying with RDUP Form 674. Director Garvey seconded. The motion was voted on and carried.

Director Justis motioned to approve as presented Resolution 2017-09 as required by the RD Apply Intake System. Director Garvey seconded. The motion was voted on and carried.

Marketing & Member Services

Manager Zaporski updated the Board as Manager Freeman was attending the NISC Conference. Manager Zaporski asked for feedback from Jeff Shea regarding the Silverton area. Jeff said there has been a lot of real estate activity in the past month or so. There has been turnover of some of the commercial properties and businesses and also the construction of several new homes. Manager Zaporski updated the Board that in 2017 SMPA Facilities successfully secured our Silverton substations. Also, Sunnyside Mine is doing some water analysis regarding ground water contamination for the Environmental Protection Agency and we are working with them to give them an easement to continue to work on a well. Along with potentially working with them on additional well locations. Some of the other facilities work we are doing is on our lots in town. SMPA is working with an architect to create drawings and working with the town so when we are ready to move forward with construction we have everything lined up. Jeff commented that Silverton has had steady growth each year since he has been here. He suggested the addition of an equipment building. Currently all our equipment is exposed to the elements. Manager Zaporski thanked Jeff for his work for San Miguel Power; he is an excellent representative for us and we appreciate his service. Manager Zaporski lead discussion regarding the upcoming Power Hour schedule and potential rate hearing at our November Board Meeting. As a result of Tri-State's five-year rate forecast the discussion included a smoothed rate increase as opposed to stepped rate increase over several years.

Information Technology

Manager Zaporski updated the Board as Manager Tea was attending the NISC Conference. Manager Tea is working on dates and timelines for the NISC project.

Administration & Human Resources

Manager Zaporski updated the Board for Manager Reams whom was out of the office. There were no other updates other than what was in her report.

Director Garvey motioned to approve Computer Usage, Internet and Email (Policy 6.20) and Light Duty/Restricted Duty (6.30) as presented. Director Rhoades seconded. The motion was voted on and carried.

Engineering

Manager Riley updated the Board of Directors on the Telluride/Mountain Village Reliability project. Williams set the final vault last Friday and now we are 100% complete on the duct bank. Restoration of the trail will begin sometime in October.

Operations

Manager Zaporski updated the Board as Manager Oliver was attending the NISC Conference. Manager Oliver is working closely with Manager Riley to tighten up the budget. Currently we are doing a fleet analysis and looking to replace one truck for Operations. As part of succession planning we are also looking to hire two apprentices and may also need a Journey Line Technician.

Safety and Regulatory Compliance

Manager Zaporski has Paul Enstrom working on the beaver fire case and that is why was not present. Manager Zaporski updated the Board on removing 5,600 lbs. of battery out and replaced 2,800 lbs. of new battery to the top of Imogene at Idarado Mine's site.

6. ATTORNEY'S REPORT

Director Garvey made a motion at 1:57 PM to enter into executive session for personnel and contractual issues. Director Rhoades seconded. The motion was voted on and carried. The board entered into executive session at 1:57 PM and came out at 2:57 PM. While in executive session no decisions were made, nor votes taken.

7. MISCELLANEOUS

There were no miscellaneous items discussed.

8. ASSOCIATED MEETING REPORTS

CREA- Bob Justis

It was a two-day meeting. The first day was internal. The Secretary of Energy study and results are published stating that renewables don't threaten reliability. Managers had a meeting with a unanimous vote to oppose retail choice and this threatens to reappear in general legislation this year. Staff was authorized to bring broadband issues to legislature. A motion was passed to hire Kevin Kelso as auditor again for next year. Day two was an outing to three locations, visited a methane gas plant in Weld County landfill site, Cottonwood Dairy and JM Schafer natural gas plant. They are selling 50% of their output to Xcel.

Western United- Dave Alexander

Director Alexander missed the meeting but they are running above budget. They have an increased line of credit and are doing well.

Tri-State – Jack Sibold

The Energy Shaping and Demand Responses projects are suspended and all those projects will be frozen Tri-State will honor the contracts they have but there is no demand for these projects any longer.

JM Schafer: GE turbine is being overhauled last time was in 2002 they are working with a Germany company.

WAPA had an extension of cost of 29\$ per megawatt hour from 2024-2057, WAPA provides 9% of member sales Tri-State buys 30% of the WAPA Colorado River's hydro project.

The budget was reviewed and it was approved. 2017 will have more deferred revenue.

Holcomb Station will not have an effect until 2019.

2/3 of the cash for Tri-State comes in August and September of each year.

Organized Market updates there will be a news release soon.

Regional Transmission Organization: if we were to join the Southwest Power Pool the first year will projected 1-3% savings and 10-20 years 3-4% savings.

Eco Action Partners – Jack Sibold

Reviewed the 2018 budget and funding from San Miguel County and Mountain Village. They also discussed income qualifying programs and the new housing development in Mountain Village.

9. BOARD TRAVEL

Director Alexander and Director Justis would also like to attend the Energy Innovation Summit along with Director Felicelli, Director Garvey and Manager Zaporski.

10. BOARD CALENDAR REVIEW

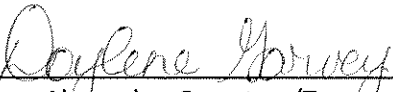
n/a

11. NEXT MEETING

The next Board Meeting will be October 24, 2017 in Nucla.

12. ADJOURN

Director Garvey motioned to adjourn the meeting at 3:19 PM. Director Rhoades seconded. The motion was voted on and carried.



Dave Alexander, Secretary/Treasurer