

SAN MIGUEL POWER ASSOCIATION, INC.
BOARD OF DIRECTORS

RESOLUTION 2018-02

WHEREAS, The Board of Directors (BOD) held a strategic planning session in February of 2017, where they set a strategic objective: To understand the full value, and options, of our membership and contract with Tri-State G & T, while developing an all-encompassing program for local renewable energy (the Tri-State Membership and Renewable Energy Objective); and

WHEREAS, San Miguel Power Association's (SMPA) Strategic Planning occurs on an approximate three-year cycle and is when SMPA's democratically elected BOD sets the direction and goals of SMPA in the form of strategic objectives. SMPA's strategic planning is a fluid process and the objectives are not set in stone. They are meant to be nimble and able to respond and change to future circumstances. All of SMPA's 2017 strategic objectives are available on the website and are updated as they evolve; and

WHEREAS, SMPA is currently in a legally binding contract with Tri-State G & T, known as the Wholesale Electric Services Contract or WESC. The WESC terminates Dec 31, 2050, and requires that SMPA purchases a minimum of 95% of its electrical service from Tri-State G & T; and

WHEREAS, on May 23, 2017, the SMPA BOD adopted Resolution 2017-03 and 2017-04 as an initiative to achieve the Tri-State Membership and Renewable Energy Objective. SMPA Board Resolution 2017-03 was a request to the Tri-State contracts committee. The Tri-State contracts committee is formed from time to time to examine the most current WESC among other things. The resolution request was to allow for more flexibility in developing small scale, local renewable energy through an amendment to either the WESC or through changes to Tri-State Board Policy 115. Tri-State Board Policy 115 administers the 95% requirement provision of the WESC. SMPA Board Resolution 2017-04 is a request to Tri-State to investigate options for a utility scale renewable energy generation facility to fill all or some of the transmission capacity that may become available with the closing of the Nucla station on the west end of the SMPA service territory; and

WHEREAS, SMPA staff and BOD met with the top leadership of Tri-State, in Ridgway, to discuss the Tri-State Membership and Renewable Energy Objective, SMPA Board Resolution 2017-03 and 2017-04, and several other issues on August 15, 2017; and

WHEREAS, as a result of the August 15th meeting, SMPA was provided confidential information on the value of the WESC in the form of indicative pricing to buy out of the contract; and

WHEREAS, as a result of the August 15th meeting and as a result of Board Resolution 2017-04, SMPA has officially entered into negotiations to fulfill the resolution request by pursuing a Tri-State Board Policy 118 project. Tri-State Board Policy 118 governs the process for SMPA to develop another local, renewable energy generation facility which would put SMPA significantly over the 5% allotment for local generation within the WESC; and

WHEREAS, SMPA is currently in partnership with Tri-State G & T on two of the largest reliability projects that have been performed on the SMPA distribution grid since the incorporation of San Miguel Power Association. These large, capital intensive, construction projects are known as the Telluride/Mountain

Village Reliability Project and the Ridgway/Ouray Reliability Project or Red Mountain Pass Rebuild. The first providing a robust, underground backup line to SMPA's largest load center and the second, a feat of engineering over the most difficult topography in the world, providing backup service to the fastest growing part of SMPA's service territory; and

WHEREAS, without the partnership and participation of Tri-State Generation and Transmission, these crucial reliability projects will be in jeopardy and/or would create significantly more upward rate pressure on the SMPA membership; and

WHEREAS, SMPA is nearing the completion of a nearly ten-year project to implement a telecommunication or "fiber" ring throughout the SMPA system, thereby significantly improving network communications and operations of major equipment throughout the SMPA distribution grid. SMPA has made every attempt to accommodate future commercial use of these fiber assets, whether by SMPA or another organization, throughout the project; and

WHEREAS this fiber communication system is highly dependent on SMPA's ability to use Tri-State owned fiber, as a class A member of Tri-State, to complete many of the pathways throughout the system. This network is integral to the operations of current and future grid technologies and infrastructure. Many believe it is also integral to the future of the local economy; and

WHEREAS it is recognized by the SMPA BOD that there is risk associated with the carbon intensity of the current energy portfolio provided by, and generation assets owned by, Tri-State G & T as the electric services provider for SMPA; and

WHEREAS Tri- State G & T is currently a part of the Mountain West Transmission Group, a regional group of the largest utilities in Colorado and this portion of the United States. SMPA believes that Tri-State, through working with the Mountain West Transmission Group, will soon join the organized market known as the Southwest Power Pool (SPP); and

WHEREAS joining SPP will significantly change the market structure of how energy is generated, transmitted, and distributed throughout our region, and may also have a significant impact on the Integrated Resource Plan (IRP) and renewable portfolio of Tri-State G & T. The IRP process forms the basis of long term planning for future generation assets among many other things; and

WHEREAS Kit Carson Electric Cooperative (Kit Carson), a distribution cooperative in New Mexico, recently purchased out of their WESC with Tri-State and moved to short term contracts subject to the open market for electrical service. This will provide a valuable case study of buying out of the WESC and moving to the open market for power supply; and

WHEREAS Delta Montrose Electric Association (DMEA) is currently pursuing options to their WESC with Tri-State G & T. This may also provide a valuable case study of buying out of the WESC and moving to the open market for power supply; and

WHEREAS Kit Carson and DMEA had ten fewer years in the terms of their WESC as compared to SMPA, and therefore ten fewer years that would be necessary to include in the calculation of the cost to buy out of each of their respective contracts. A study for procurement of power supply is unique to each individual situation in which it is performed. Other than the term of the existing contracts there are several other major factors and assumptions that will be unique to any individual distribution

cooperative. Therefore, while Kit Carson and DMEA may provide case studies that will be beneficial to better understanding the issue, it is not possible to apply their results as a direct comparison with SMPA.

NOW, THEREFORE BE IT RESOLVED that the San Miguel Power Association, Inc. Board of Directors, with knowledge of the information stated above, will move forward with the Tri-State Membership and Renewable Energy Objective in partnership with Tri-State Generation and Transmission, towards the goal of implementing the request contained in SMPA Board Resolution 2017-04.

AND FURTHER RESOLVED that this partnership provides the best path to implementing more local renewable energy, at this time, without incurring strong upward rate pressures, and without compromising existing and future reliability, or the network communications crucial to the overall operations of the SMPA distribution grid.

AND FURTHER RESOLVED that SMPA will not further pursue the investigation of alternatives to the current WESC, at this time, but will continue to monitor the results and actions of the distribution cooperatives that have or are currently pursuing such alternatives.

CERTIFICATION

I, Dave Alexander, do hereby certify that:

1. I am the duly elected Secretary of San Miguel Power Association, a cooperative corporation duly organized under and existing under the laws of the State of Colorado.
2. The above resolution was duly adopted by the Board of Directors at a meeting duly called and held on January 2, 2018 and reconvened on February 6, 2018, at which a quorum was present.

Dave Alexander, Secretary/Treasurer