

**EIGHTY-FOURTH**  
**ANNUAL**  
**MEETING**  
**OF MEMBERS**



*Time to Shine*  
**2022 ANNUAL REPORT**

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Monday - Thursday 7:00 a.m. - 5:30 p.m.

## Online

www.facebook.com/SanMiguelPower  
www.smpa.com

## Our Mission

It is the Mission of the San Miguel Power Association, Inc. to provide our members with safe, reliable, cost-effective, and environmentally responsible electrical service, while demonstrating both cooperative responsibility and support for the communities we serve.

## Notice of the Annual Meeting of San Miguel Power Association, Inc

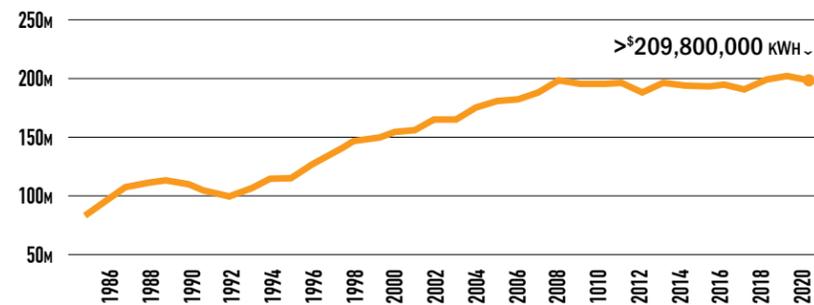
The 84th Annual Meeting of the Members of San Miguel Power Association, Inc. (SMPA) will be held at the SMPA Ridgway office (720 N. Railroad St., Ridgway, Colorado) on the 8th day of June 2023. Members may attend in person or via virtual interface. A registration link is provided on the association website, www.smpa.com. The business meeting will begin at 5:30 p.m. This meeting will be held for the following purposes:

- 01 The announcement of elected directors to the Board of Directors for District #2 which includes parts of San Miguel and Ouray Counties including most of the town of Telluride.
- 02 The reports of Officers, Directors & Committees.
- 03 Any other business that may properly come before the meeting.

## 2022 SMPA at-a-glance

|            |                     |           |  |
|------------|---------------------|-----------|--|
| 15,298     | Meters              | 816       | Average Residential kWh Use  |
| 56         | Employees           | 494       | Net Metered Accts  |
| 1892       | Miles of Line       | 43,682    | Peak Demand (kW)   |
| 8.08       | Meters Per Mile     | 1938      | Year Incorporated  |
| \$0.134725 | Per Residential kWh | tri-state | Power Supplier   |
| \$23       | Access Charge       | 7         | Counties Served:<br>Dolores, Hinsdale, Mesa,<br>Montrose, Ouray, San Juan,<br>San Miguel |
| 209.8      | Million kWh Sold    |           |  |

## SMPA Annual Sales



# Message To Members

"Timing is Everything." We often hear this phrase in reference to the opportunities of life. It's also a concept that's becoming increasingly pivotal in our industry and the day-to-day challenges of supplying electric power to our member-consumers. In 2022, timing was a crucial factor in our communications, and our community partnerships, as well as our policy adjustments, and grid improvements. And, of course, timing continues to loom large in our ongoing quest to access a power supply arrangement that best fits the needs of our communities.

## The SMPA Board of Directors:

SMPA directors are elected from the membership, by the membership. They employ the CEO, set the strategic direction of the cooperative, and represent their fellow members in a fair and impartial manner.

- DISTRICT 01 Doylene Garvey
- DISTRICT 02 Kevin Cooney
- DISTRICT 03 Dave Alexander
- DISTRICT 04 Toby Brown
- DISTRICT 05 Rube Felicelli
- DISTRICT 06 Debbie Cokes
- DISTRICT 07 Terry Rhoades

You may be reading this at our in-person Annual Meeting. After the impacts of the global pandemic, our board was pleased to offer the chance for us to meet face-to-face again at this time-honored event. This year, we also welcome a virtual audience, who may enjoy the convenience of online participation. Either way, we tackle our challenges together.

One of the greatest challenges of our time has been the need for affordable housing on the Western Slope. SMPA has been privileged to partner with community organizations and local governments in bringing solutions like the Pinion Park community in Norwood, Space to Create and the Wetterhorn Homes developments in Ridgway as well as a riverfront affordable development in Ouray. See page 9 for more on that.

Another challenge has been the rising costs and extended lead times associated with new equipment and materials. Adjustments to our access charge and to certain policies and practices arrived just in time to help strengthen our cooperative against this reality.

Now is also the time for technological improvements to our grid and to our means of monitoring it amid the ever-present danger of wildfires. Learn more about that on page 3.

In addition to our present needs, our Board of Directors also considers the future. For several years, the future of our power supply has been in flux, as our main power supplier, Tri-State Generation and Transmission (Tri-State), under the purview of the



Federal Energy Regulatory Commission (FERC) has signaled possible changes to its rates and to the way it charges us for power, including the direct-assignment of costs, covering radial lines that exclusively serve areas in our territory. This could lead to a significant increase in our wholesale and retail rates. In any case, the timing of your energy use is likely to impact your power bill more than it ever has before.

As we move forward, keep aware of the timing of your power use. This, in combination with strong communications and a unified vision, can become the tool that eases our transition to the clean energy future. (See pages 3 & 4 for a model and explanation.)

Thank you for reading this. Thank you for your participation in our cooperative. This is our time to shine! With your help, we can forge a future that is bright indeed!



## Focus: The Clean Energy Future

### Engineering and Operations

#### New Machine Monitoring Hardens the Grid and Protects the Land

SMPA is now using new technologies like a camera array enhanced with Artificial Intelligence (AI) and remotely-controlled drones to help protect the power grid and its surroundings. In partnership with the Telluride Fire Protection District, SMPA collaborated with California-based PANO AI cameras, equipped with deep learning AI and computer vision to detect fires quickly and accurately, allowing for a faster response time.

Grid maintenance is also being improved by technology. Remotely-controlled drones, piloted by SMPA line crews can employ thermal imaging and infrared detection to inspect grid infrastructure efficiently and relatively inexpensively. These technologies are essential tools in the effort to protect people, property, and wildlife.



#### Challenge: Supply Chain

Electric utilities face current supply chain challenges due to disruptions caused by the COVID-19 pandemic, natural disasters, and global trade issues. These challenges include delays in obtaining critical equipment and materials, higher costs for goods and transportation, and difficulty in sourcing replacement parts. Businesses relying on SMPA for certain equipment are advised to plan for long lead times.

#### Challenge: Inflation

One way that SMPA is mitigating the impact of higher costs is to distribute those costs equitably. Earlier this year, SMPA allocated a reasonable burden of fixed grid maintenance costs to those accounts defined as "idle" or "seasonal." This lessens the burden for year-round members.

#### Timing is Everything!

In last year's Annual Report, we asked "How do we get our population to electrify wisely?" This year, moving toward an answer, we focus on the importance of timing in electrification.

The rooftop solar revolution has given many homeowners access to clean, renewable solar-generated electricity, but only when the sun is shining. A complete energy solution requires energy storage in order to power our homes when it is dark outside. Home batteries are one solution. (Check out our resiliency rebates on pg. #7.) Another solution might be the battery that comes with four wheels and power steering. (See next page for a vision of how electric vehicles can help us manage our grid costs.) If a solution like this is to be successful, the key component will be a widespread understanding of what time of day is beneficial for charging and what time is detrimental.

To realize the full benefit of renewable energy, SMPA is defining times of the day, when it is truly beneficial to charge your home or car batteries. (By the way, heating your water, and running the dishwasher also count!) We're putting this information on your bill to help get the word out. Eventually, we'll tie these to a price signal that will give you the opportunity to not only save money, but to help your community use energy more wisely. That's the part that will matter to us all in the long run.

**Electric Distribution Cooperative:**  
- can purchase wholesale energy at a lower cost each month if it can reduce the system peak.

**Electric Vehicles:**  
- are large home batteries on wheels! Their idle time can be used to reduce the system peak while generating savings for their owners. Charge parameters can be set by the owners to manage battery life and ensure the vehicle always has enough charge to meet the owners' needs.

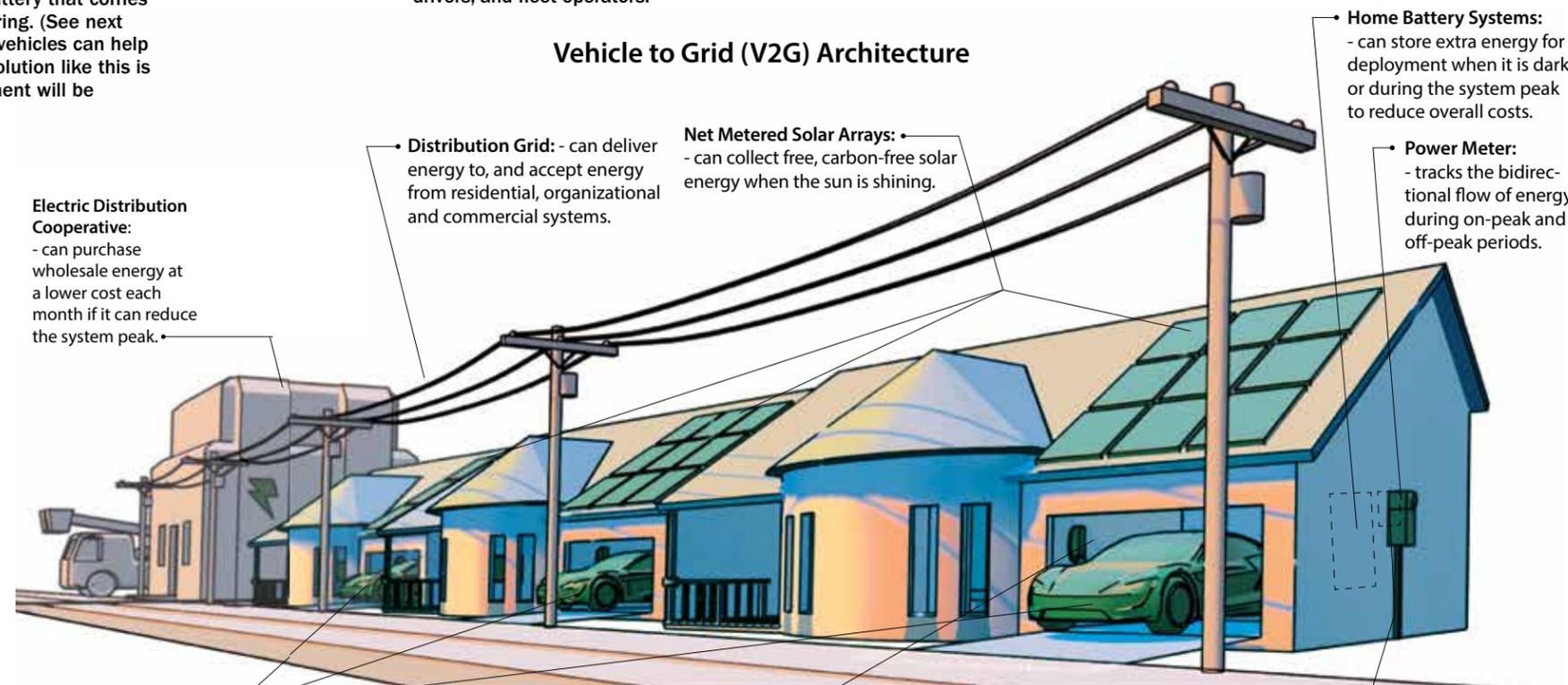
#### What is Vehicle-to-Grid (V2G) Integration?

Vehicle-to-grid, or V2G, technology is smart-charging tech that allows car batteries to give power back to the grid at strategic times. The process of feeding energy back into the grid allows the vehicle owner to supply energy during times of peak demand which prevents further burning of fossil fuels and can even create new revenue streams for drivers, and fleet operators.

A study conducted by the US Department of Transportation found that the average American spends less than 1 hour of driving per day. In other words, most cars spend over 23 hours a day doing nothing. If the car is just going to sit there anyway, why not provide a service to the utility AND get paid for it?

**Did You Know?** V2G technology is already being adopted in western Colorado! In 2021, La Plata Energy Association teamed up with Blue Bird and global leader in V2G technology, Nuve to deploy V2G electric school bus projects in Durango to help reduce peak demand and reduce total cost of ownership for the school district.

#### Vehicle to Grid (V2G) Architecture



**Distribution Grid:** - can deliver energy to, and accept energy from residential, organizational and commercial systems.

**Net Metered Solar Arrays:** - can collect free, carbon-free solar energy when the sun is shining.

**Home Battery Systems:** - can store extra energy for deployment when it is dark or during the system peak to reduce overall costs.

**Power Meter:** - tracks the bidirectional flow of energy during on-peak and off-peak periods.

**Bi-Directional EV Charger:** - can be programmed to charge during inexpensive off-peak periods, and to sell energy during the expensive peak period, generating savings for the owner, and helping to lower pressure on rates while reducing dependence on fossil fuels.

**Power Equipment:** - controls for intermittent supply, and converts solar DC to AC power.

Art Courtesy of: Drive C Productions ©

# 2022 Financial Reports

## A rural electric cooperative can use several financial levers to maintain desired financial ratios, including:

**Increase Revenue:** The cooperative can increase revenue by expanding its customer base, offering new services, or increasing prices.

**Reduce Expenses:** The cooperative can reduce expenses by implementing cost-cutting measures, such as improving operational efficiencies, reducing maintenance costs, or renegotiating supplier contracts.

**Manage Debt:** The cooperative can manage its debt by maintaining a manageable debt-to-equity ratio, refinancing debt at lower interest rates, or extending the repayment period.

**Monitor Cash Flow:** Through the use of a defined equity management plan, as approved by the Board of Directors, the cooperative can monitor cash flow by forecasting revenue and expenses,

managing accounts receivable and accounts payable, and maintaining adequate cash reserves.

**Invest in Infrastructure:** The cooperative can invest in infrastructure to improve service reliability and reduce maintenance costs in the long run, which can positively impact financial ratios.

| REVENUES                            | 2022                | 2021                |
|-------------------------------------|---------------------|---------------------|
| Residential                         | \$18,152,364        | \$17,974,544        |
| Commercial                          | \$12,368,802        | \$12,434,223        |
| Irrigation                          | \$204,780           | \$197,652           |
| Street Lights                       | \$43,534            | \$43,168            |
| Other                               | \$156,052           | \$121,394           |
| Deferred Revenue / Revenue Deferral | -                   | \$400,000           |
| <b>TOTAL OPERATING REVENUE</b>      | <b>\$30,925,532</b> | <b>\$31,173,002</b> |

| EXPENDITURES                               | 2022                | 2021                |
|--|---------------------|---------------------|
| Cost of Purchased Power                    | \$16,337,687        | \$16,506,881        |
| Transmission Expense                       | \$79,565            | \$86,007            |
| Distribution Expense-Operation             | \$3,836,073         | \$3,312,724         |
| Distribution Expense-Maintenance           | \$1,796,497         | \$1,509,463         |
| Consumer Accounts Expense                  | \$1,236,254         | \$1,254,590         |
| Customer Service and Informational Expense | \$526,968           | \$534,172           |
| Administrative and General Expense         | \$3,113,439         | \$3,197,817         |
| Depreciation and Amortization Expense      | \$2,626,140         | \$2,600,569         |
| Interest on Long-Term Debt & Other         | \$1,177,466         | \$1,233,497         |
| Other Deductions                           | \$10,000            | \$8,163             |
| <b>TOTAL COST OF ELECTRIC SERVICE</b>      | <b>\$30,740,089</b> | <b>\$30,243,883</b> |

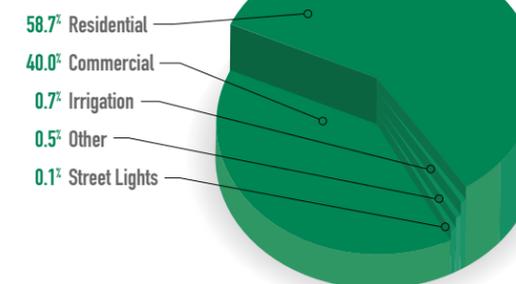
| MARGINS                             | 2022             | 2021               |
|-------------------------------------|------------------|--------------------|
| Operating Margins                   | \$185,443        | \$929,119          |
| Non-Operating Margin                | \$308,357        | \$93,766           |
| Capital Credits                     | \$177,366        | \$572,526          |
| Revenue Deferral                    | -                | (\$400,000)        |
| <b>PATRONAGE CAPITAL OR MARGINS</b> | <b>\$671,166</b> | <b>\$1,195,411</b> |



| ASSETS                         | 2022                | 2021                |
|--------------------------------|---------------------|---------------------|
| Total Utility Plant            | \$101,263,503       | \$99,125,242        |
| Less: Reserve for Depreciation | \$37,045,515        | \$34,913,837        |
| Net Utility Plant              | \$64,217,988        | \$64,211,405        |
| Reserve Funds & Investments    | \$19,504,178        | \$19,065,189        |
| General Funds                  | \$3,111,229         | \$3,657,155         |
| Special Deposits               | \$963,051           | \$987,332           |
| Accounts Receivable            | \$3,439,991         | \$3,115,072         |
| Material Inventory             | \$2,128,219         | \$1,542,531         |
| Prepayments & Other Assets     | \$157,729           | \$133,337           |
| Deferred Charges               | \$117,997           | \$114,364           |
| <b>TOTAL ASSETS</b>            | <b>\$93,640,382</b> | <b>\$92,826,385</b> |

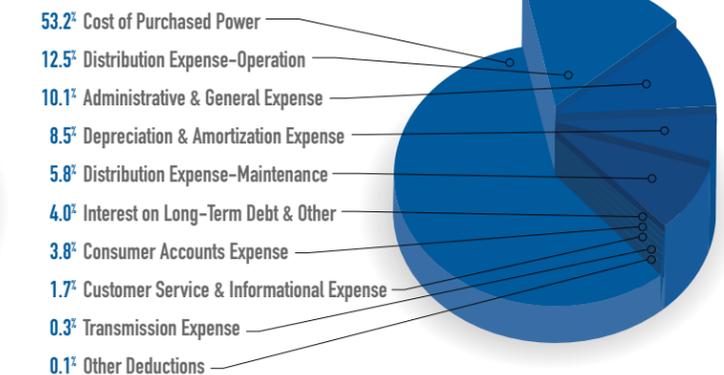
| LIABILITIES & EQUITIES                | 2022                | 2021                |
|---------------------------------------|---------------------|---------------------|
| Total Equities & Margins              | \$46,751,591        | \$46,442,841        |
| Total Long Term Debt                  | \$33,208,986        | \$33,313,351        |
| Notes Payable                         | -                   | -                   |
| Current & Accrued Liabilities         | \$8,454,124         | \$8,312,546         |
| Deferred Credits                      | \$5,225,681         | \$4,757,647         |
| <b>TOTAL LIABILITIES AND EQUITIES</b> | <b>\$93,640,382</b> | <b>\$92,826,385</b> |

### Electric Sales Revenue

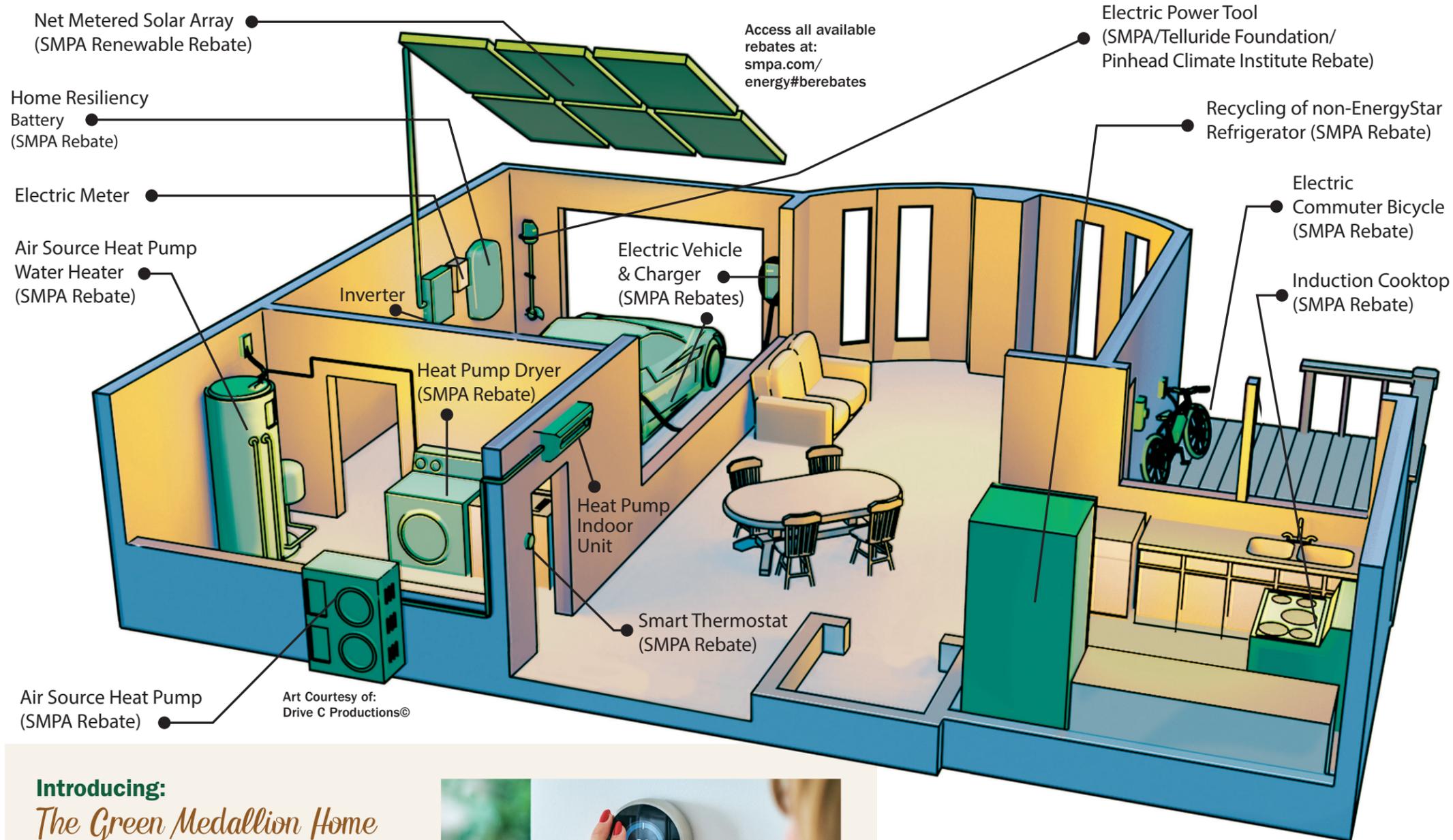


Revenues by class. Values shown do not consider revenue deferral.

### Cost of Electric Service



# Renewable Energy and Efficiency



## Making the Switch

### Gas or Electric?

Switching from gas-fueled outdoor tools to electric tools has several benefits, including reducing air and noise pollution, improving health and safety, and lowering maintenance costs. Electric tools are also more energy-efficient and emit fewer greenhouse gases, contributing to a cleaner and more sustainable environment.

SMPA would like to thank the Telluride Foundation and the Pinhead Climate Institute for bolstering our rebate program for these types of outdoor tools.



## 2022 REBATE REPORT

| REBATE TYPE             | #            | AMOUNT              |
|-------------------------|--------------|---------------------|
| Air Source Heat Pumps   | 23           | \$60,388.70         |
| Water Heaters           | 8            | \$2,570.00          |
| LEDs                    | 20           | \$2,297.44          |
| Smart Thermostats       | 11           | \$400.00            |
| Whole House Fans        | 1            | \$200.00            |
| Washers                 | 28           | \$2,460.00          |
| Dryers                  | 18           | \$1,500.00          |
| Fridge/Freezers         | 39           | \$3,540.00          |
| EVs                     | 19           | \$11,950.00         |
| EV Charging Equipment   | 12           | \$13,089.53         |
| Energy Audits           | 4            | \$400.00            |
| Induction Cooktops      | 10           | \$3,600.00          |
| Outdoor Power Equipment | 27           | \$2,864.08          |
| SolarPV                 | 131          | \$35,859.00         |
| <b>TOTALS</b>           | <b>\$351</b> | <b>\$141,118.75</b> |

### Introducing:

## The Green Medallion Home

There are many visions of the “Smart” home of the future. We call ours the “Green Medallion” home (...a throwback to the old “Gold Medallion” all-electric homes of the 1950s). Back then, an all-electric home just meant convenience. Today’s “Green Medallion” home combines convenience and cost-efficiency with the environmental stewardship we appreciate today. To promote the idea to renovators and new builders, we’ve implemented a special “Green Medallion” all-electric home rebate. Check it out at <https://www.smpa.com/energy#berebates>.



Microgrid solar array at the San Miguel County Ilium Sheriff's Office near Telluride.

## Island Mode

Microgrids use renewable energy like solar, combined with energy storage, to power distributed energy facilities, which can operate independently of the larger power grid in “island mode” in the event of outages or disruptions. Energy storage systems like batteries store excess renewable energy for later use, making microgrids a reliable and sustainable way to enhance the electrical resiliency of homes, businesses, and communities.

In 2022, SMPA supported the San Miguel County Sheriff's Department with the implementation of two Microgrid systems to ensure back up to critical loads, at their Norwood and Ilium Valley locations.

### Community Focus Donations

Through our Community Focus policy, we demonstrate our commitment to the communities we serve and strengthen our organization's connection to our membership. In 2022, we gave to over 35 charitable and community organizations including:

- Ouray Mountain Rescue
- The Nucla-Naturita Senior Citizens
- The Home Trust of Ouray County
- The Norwood Roping Club
- Silverton Skijoring
- The Telluride Mountain Club
- The Nucla-Naturita Chamber of Commerce
- Second Chance Humane Society
- The Unaweeep-Tabaguache Scenic Byway
- ...and many more

### Affordable Housing Efforts Bolstered by Sharing Success Economic Development Grants



SMPA District #1 Board Director, Doyle Garvey (center) presents Sharing Success Grants to Makayla Gordon, Interim Executive Director of the West End Economic Development Corporation (WEEDC) (left) and to Jessica Frigetto, Home Trust of Ouray County Board Member (right).

Economic Development is vital to our communities and affordable housing is vital to economic development. Last year's Sharing Success Economic Development Grants helped organizations directly tackling this need.

Congratulations to the Home Trust of Ouray County, which received a \$15,000 grant, to help develop affordable rentals in Ouray. These units will be available to local workforce with a range of area median incomes up to 120% of the average.

Another \$15,000 grant will be given to

the West End Economic Development Corporation (WEEDC) to facilitate their ongoing partnerships with the Colorado Housing and Finance Authority, the Telluride Foundation, Rural Homes Initiative, as well as others to ensure affordable housing units are brought to the West End of Montrose County.

Thank you to CoBank and to Basin Electric Power Cooperative for matching SMPA contributions, tripling the impact! Congratulations to these worthy organizations, and thanks for all you do!

### 2022 ANNUAL MEETING SUMMARY

The 83rd annual meeting of San Miguel Power Association (SMPA) was held as an online virtual meeting on June 9, 2022 at 5:34 pm. The meeting featured SMPA's community-focused donations, system safety and reliability improvements, current rate design, and an investigation of alternative power supply options.

SMPA's community support included community focused donations and scholarships. The cooperative also provided support to the Telluride Foundation's program tackling affordable housing in the region. SMPA and its partners have provided \$20,000 to ensure the quality of heating, ventilation, and air conditioning systems in every home within the planned Norwood and Ridgway housing developments.

Board President, Rube Felicelli noted that SMPA has been evaluating its wholesale electric supply contract with Tri-State since 2017. In 2021, SMPA investigated moving from an all-power requirements contract to a partial requirements contract, potentially allowing 35% of its peak demand to be supplied in some other way. The Board of Directors evaluated the applications submitted in response to its request for proposals for alternative power supply and has selected Denver-Based Guzman Energy as a potential alternative power supply.

Brad Zaporski, SMPA's General Manager and Chief Executive Officer, reported that the company's focus is on providing safe, reliable, affordable, and environmentally-friendly power to its members, with an emphasis on wildfire mitigation, reliability, and system hardening. SMPA completed a full analysis of its system settings and protocols for different levels of fire danger to proactively formulate a more comprehensive wildfire mitigation plan. SMPA also completed several system upgrades, including deploying new smart equipment on the grid to shorten outages and proactively identify problem areas.



Zaporski also noted that SMPA was able to accomplish these goals while keeping the electric rates stable, relative to inflationary pressures affecting industries worldwide. In order to facilitate higher levels of clean energy in the system, SMPA must send the right price signals in order to indicate the times at which energy and power are the most expensive.

Another important item is the significant regulatory hurdle known as the direct assignment of radial transmission costs, which will assign the cost of the operation and maintenance of lines that serve only SMPA territory directly to SMPA, rather than socializing them among all Tri-State Generation and Transmission members as has been done in the past.

Following these reports, SMPA answered member questions and announced the winners of the Board District #3 Election, David Alexander and the Board District #6 Election, Debbie Cokes. At 7:42 PM, the meeting was adjourned.

### 2022 RETIREMENTS



**Penny Gabardi**  
18 Years

**Lester Oltjenbruns**  
27 Years

**Paul Enstrom**  
34 Years

**Rick Gabriel**  
35 Years

### Scholarships

In 2022, the SMPA Board of Directors elected to increase our scholarship amounts for both the collegiate and the vocational scholarships. In total, SMPA and its cooperative partners gave \$26,000 to these local students seeking higher education and training:

|   |   |  |   |  |
|---|---|--|---|--|
| <br><b>Silverton High School \$3K College</b><br>Paton Edwards | <br><b>Telluride High School \$3K College</b><br>Taylor Holmes | <br><b>Ridgway High School \$3K College</b><br>Courtney Southall   | <br><b>Norwood High School \$3K College</b><br>Yoselin Hernandez   | <br><b>Nucla High School \$3K College</b><br>Lisa Sutherland    |
| <br><b>Ouray High School \$3K College</b><br>Mica Hart         | <br><b>Nucla High School \$3K Vocational</b><br>Jezel Demus    | <br><b>Silverton High School \$3K Vocational</b><br>Selene Rhoades | <br><b>Tri-State \$500 Canyon</b><br>Ishikawa, Ridgway High School | <br><b>Tri-State \$500</b><br>Autumn Sagal, Ridgway High School |



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office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed

form or letter to USDA by:

- (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights  
1400 Independence Avenue, SW  
Washington, D.C. 20250-9410;
- (2) fax: (202) 690-7442; or
- (3) email: [program.intake@usda.gov](mailto:program.intake@usda.gov).