1. CALL TO ORDER

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

2. APPROVAL OF CONSENT AGENDA

Director Garvey motioned to approve the revised consent agenda as presented. Director Rhoades seconded. No discussion was presented. The motion was voted on and approved.

3. MEMBER OR CONSUMER COMMENTS

Director Garvey shared a negative comment from a member that was posted on a Facebook page. The member contacted Director Garvey recently to thank SMPA for their phone calls to follow up on the outage. The member apologized for her frustration.

Director Sibold mentioned an issue with Ms. Carradine. Director Sibold mentioned that this issue has cost SMPA significant amount of money in staff time in dealing with this member. President Felicelli shared that when there are situations where a member is disconnected for nonpayment, the time it takes for staff to deal with the situation is a lot more that the amount charged to the member for the disconnection. President Felicelli shared that he alone had six phone calls from this member. Discussion took place.

Director Sibold shared comments from Jerry Green at a recent Evening with Your Coop in Telluride. The member pointed out that his business experienced a recent outage and the member felt it took a long time for SMPA to restore power. The member expressed his concern that crews were not in the immediate area and were being dispatched from a distance thus extending the outage time. Director Sibold shared that he believes it is important to hear these types of members concerns. There may not be a cost effective way to deal with the issue but listening to the member concern is important. Paul Enstrom shared that the crew restored power to the majority of members effected except those directly tied to the transformer which was hit by a vehicle and caught fire. Mr. Green's business would have been directly affected. President Felicelli shared that to the contrary he heard from a member at the Telluride gathering that they were pleased in the reduction of outages the area has experienced and SMPA service has improved.

Director Sibold shared that another member commented that he had problems reading his bill.

4. CEO REPORT

A. Introduction of Employee Guests

Manager Ritter introduced employee guests, Duane DeVeny, Service Planner and Kim Nickolaus, AMI Technician. Each employee shared a bit about their experience with Directors.

E. Pre-Pay & Software Analysis

Manager Ritter shared that staff was prepared to present findings on the business analysis conducted for the mainframe computer software. Manager Ritter shared that there were many factors to consider in the analysis. The process is nearly complete and not yet final. Staff wanted to give Directors an overview of where the project is currently. Directors were not being asked for any kind of decision today. Toni Bertorello displayed slides on the grading matrix and responses received from employees who conducted site visits to look at how other cooperatives are utilizing the NISC product. The grading matrix covered payroll, accounting, report writing, and work management areas. Directors were shown the draft cost information on both the NISC product and the ATS conversion. Staff is continuing to discuss and work on the comparison of both products to ensure the pricing is fair and balanced.

G. Board Donations

No donations were presented.

N. Finance

i. Composition of Districts

Each Director was provided a map of their director district with the newly proposed boundaries. The Directors previously had reviewed the proposed numbers in August to equally balance out the number of members in each district. Directors reviewed their maps. Director Rhoades motioned to approve the district boundaries as presented. Director Alexander seconded. No discussion was presented. The motion was voted on and carried.

v. Financial & Statistical Reports

The financial reports were not ready at the time the Director packets were distributed. The reports were emailed to Directors recently and a hard copy of the financial reports were included in each of the Director packets today. Staff will prepared to answer any questions regarding the financials at the October board meeting.

Manager Ritter shared a situation with a member whose meter information was switched with another account and he was being charged for the other account, and they for his. The account was corrected and adjustment made to each account affected. The member in question is not satisfied, because this resulted in him being billed for usage he did not pay for. Staff will work with this member as a high bill complaint but the member will need to pay the past due amount. The member owed over $700. The member has been paying his bill, but was used to paying $50-$70 per month and now with the adjustment the bill will be around $200 monthly. The member at this time is not wanting to pay the amount. Manager Ritter wanted to share this with Directors in case there was a phone call received from this member.

vi. Expenditure Listing

Directors reviewed the accounts payable expenditures for August 2015. President Felicelli questioned the expense to Kenny's tires for $6000.00. Paul Enstrom shared that he will look into the expense and report back. Toni Bertorello obtained the invoice and responded to President Felicelli at the meeting.

O. Member Services & Marketing

i. Income Qualified Weatherization Program

Brad Zaporski reported for the last five years SMPA has been a participant in the State Of Colorado Low Income Weatherization program. SMPA's contribution for this program has been $25,000. Income qualifications for the State program are set very low. Outreach and advertising is conducted and 22 homes were serviced in 2014. It continues to be a challenge to steer members to this program because of the low income qualifications. Staff has approached Energy Outreach Colorado (EOC) to seek similar assistance. This organization can offer a lot more flexibility than the State program can offer. Staff is not suggesting to stop the State program but staff is proposing to also work with EOC because of the flexibility especially with the higher income qualifications. San Miguel County residents would qualify for the program with an income level of $46K. The higher income limit means the program could impact more of our membership. Members could access $4 from EOC for every dollar SMPA would contribute.

There are benefits to working with EOC. EOC has helped DMEA with delinquent accounts who choose to go to their new pre pay program. Staff is conducting a lot of groundwork to set program offerings in 2016. Staff was seeking consensus from Directors that this is a direction they wished move toward. Brad is looking for partnership with Eco Action Partners to assist with performing the actual work in member homes. EOC already has a list of income qualified people in the SMPA service territory. President Felicelli asked about the status of ICAST. Brad shared that ICAST is no longer servicing our area. Directors reached consensus that they approve of the program concept.

ii. Income Qualified Community Solar

Staff has been looking into options for the next renewable project. Directors were reminded about the low income community solar project developed in the Grand Valley Power service territory. The project was quite successful. The State of Colorado wants to model that program and has made $1.2 million dollars available on an RFP for an organization to assist coops with more of these types of projects. EOC and Grid Alternatives (GA) received letters of support from SMPA. Grid Alternatives won the RFP and received the $1.2 million of funding. SMPA is looking to provide 1/3 of the funding along with 1/3 from Grid Alternatives and 1/3 from the income qualified partners. The program works similar to community solar project. It could work in concert with the weatherization program, where members could also qualify for both programs. Again staff was asking for board opinion on pursuing this type of program in the 2016 budget. Staff is ready to begin to look for land to site this project while also looking to the future building a second community solar project. As staff is looking at possible sites they will look for access to existing lines. Brad has spoken to Myles Jensen at Tri-State. At that time he was supportive of the project. The income qualified project could still fit under the SMPA 5% limit. Possible funding from SMPA could be in the range of $100,000 and could come out of existing green funds.

Monies spent from the green fund are not subsidies from the entire membership. Directors were in favor of staff pursuing this program in the 2016 budget. Director Alexander likes this income qualified concept. He brought up the name of Wendy Fenner who lives on Horsefly Mesa, who is very interested in adding solar to her property. She has also expressed interest in developing a possible geo thermal resource on her property. Staff will contact her to explore the solar option. Staff has also preliminarily identified 5 sites that are worth exploring as possible solar garden sites.

iii. 2nd Community Solar Facility

Brad Zaporski reported that if Directors are in favor of building a income qualified solar facility that staff at the same time would look into siting for a 2nd community solar facility. Manager Ritter asked for direction if Directors want staff to start an RFP process to find out what renewable projects are possible in our service territories. In informal conversations with Paul Spencer of CEC, he believes that a project should be done sooner rather than later. CEC has a partnership with 1st solar and they watch trends. They are 30-40% certain that the tax incentives will be going away in 2016, because there was a rider on a financing bill that sought to continue the tax incentives. The bill was rejected. Many larger companies are anticipating this and are placing very large orders for materials. Mr. Spencer felt purchasing now would avoid higher prices later. Discussion took place about moving forward with an RFP and defining a real project that can be taken to Tri-State. Director Sibold asked about a community hydro facility. Brad shared that a community hydro may take a bit longer because it has not been done before. There may be more legal requirements that will need to be addressed. That doesn't mean that staff is not seeking a hydro project. Solar has more availability to be sited and less areas for a hydro project. Montrose County has the money to pursue hydro on the west end.

iv. Utility Sponsored Net Metering Program

Brad Zaporski shared that DG was discussed during the recent strategic planning meeting. Brad has spoken to many coops that have expressed interest about this. Cooperatives must decide if they want to become a bank and installer for projects such as roof top solar or another alternative is to work with outside banks and private contractors. In essence a cooperative would become competition in the rooftop market. Members could put zero money down, put solar on their home, and pay back the cooperative by on the bill financing. There are significant questions Directors would need to consider namely how comfortable are directors with the risk involved with loaning and then re-paying the loans made. Staff would need to vigorously perform credit checks on members, set limits on who can participate. The cooperative can't tie the DG loan payment to the utility bill and disconnect for nonpayment. Staff would need to involve themselves in showing members how long their return on investment would be. Manager Ritter shared that DG is a new wrinkle out there that cooperatives must face in our industry. Other providers are moving into our area and does SMPA end up in court over territorial issues or does the local cooperative get involved as a business opportunity and be the provider of choice. Discussion took place. Staff believes that there will be an associated revenue loss unless SMPA positions itself to be the provider of choice. Director Justis asked if the cost of service study will take into account a concept such as this.

xiii. Renewable Energy Rebate Funds

Manager Ritter reported that the renewable energy rebates funds have been exhausted for 2015. Directors were asked if they would like to move funds from the green fund to continue rebates to members from now until the end of 2015. Staff was asked for a recommendation of the amount Directors should consider. During the last three years SMPA has added $50,000 and CEC has matched with an additional $50,000. Now that the community solar is sold out staff recommended $25,000. Since construction season is limited staff feels this is adequate. Director Rhoades motioned to move $25,000 out of the green fund for renewable energy rebates. Director Garvey seconded. The motion was passed by a unanimous vote.

10. MISCELLANEOUS

i. Senior Accountant Position

Manager Ritter was asked where he was at with filling the Senior Accountant Position. Manager Ritter shared that that the job description has been finalized. The job was advertised and resumes received. He is at the point of selecting the applicants for interview. President Felicelli shared that there has been some discussion among Directors if we should hold off in filling the position. Director Garvey shared that she would like to wait on filling the position. President Felicelli questioned what the harm was in waiting to fill the position. Manager Ritter shared that the sooner we get the position filled the sooner the person can become acclimated to the department and start training. One goal was succession planning for Cal's position, so the person can get up to speed. Directors asked how long it would take to fill the position. Manager Ritter responded it usually takes 2-3 weeks to schedule the interviews in advance to allow for travel of the candidates, 2-3 days of interviews and make a selection, and another 2-3 weeks allowance for a candidate can resign and begin employment. Attorney Link asked to suspend discussion until it can be continued in executive session.

4. CEO REPORT (CONTINUED)

S. Engineering

vi. Line Extension Tap Fee Credits.

Terry Daley gave a presentation on the line extension policy. In the past our Board of Director's philosophy has been development pays its way. Since the Board has changed and Directors are now hearing more frequent comments from members about reimbursement of tap fees, staff was directed to give Directors some options to address this issue. A recent example of a member, Peter Kingman who was charged a $25,000 line extension fee. The member is concerned about the possibility of a neighbor coming in and taps the line he paid to extend. What amount would Mr. Kingman receive back? At the current time he would get nothing.

Terry Daley gave a slide presentation showing some options of tap fee credits. A typical line extension usually involves 1,000's of feet of extension not just a simple extension to a home in subdivision. About half of the Colorado coops operate where development pays its way, the other half have some form of credit. Tap fees can become very complex and it is difficult to design a process to be completely fair to the member. An example was show in a county with several nearby 35 acre parcels and an estimated $35,000 line extension cost for the 1st person. The second person to tap the line would pay based on footage and what was calculated to be credited to the first member. SMPA would be a collection agent and keeper of all the records and costs. Costs to each extension would depend on where new members are tied into a new line. The second or third member would reimburse others depending on the point the line is tapped. The example slide displayed how complex the reimbursement can be.

Terry suggested moving to a direct benefitting parcel method which is a consistent tap fee for all "benefiting" parcels. I.e. member one pays a $20,000 extension fee. There are 20 benefiting parcels in the area as a potential. Members 2-20 would each pay $1,000 to member 1 as a benefiting parcel, when they connect. SMPA would collect the funds and repay them to member number one. Discussion took place. The lots that are subject to refund payments are identified with the very first member contract, right up front. The member paying the original tap would need to agree to the contract. Essentially, this method would identify up front the potential future taps. This concept does not apply to housing developments which must abide by other rules. Directors questioned if there is a timeframe involved with the tap fee sharing. Discussion continued. Directors were asked if they would like staff to develop a policy for further consideration. Director consensus preferred the tap fee credit using the benefiting parcel method. Director Justis shared that he was not convinced, but was open to hearing further on this subject. Staff will work on bringing back a draft policy to Directors for consideration.

vi. Line Extension Costs

Terry Daley reviewed the current line extension policy. He displayed an example of typical new service which average $6,500 and includes 200 ft. of primary extension with a transformer and a short secondary run to a meter pedestal or house. An extension in the example could include $3,000 for labor and Overhead, $2,300 for a transformer, and $1,200 for Facility Reinforcement Fee. The Facility Reinforcement Fee is collected to pay for main electrical system upgrades and ends up being monies that SMPA does not need to borrow for future reinforcement projects. Another project that was discussed earlier (Kingman) could be around $16,000 and the transformer portion of would be $4,500. Some utilities absorb some of the costs of the transformer since many members can tie into a single transformer and the equipment is eligible for RUS loan funds. Manager Ritter suggested that since Power Systems Engineering is beginning to start work on the Cost of Service Study for SMPA, now would be a good time to ask them to analyze that possible rate impact of SMPA absorbing the transformer cost, or possibly the Facility Reinforcement Fee. If directors would like a change to either the tap fee credits, or SMPA covering some of the extension costs, both would need to be noticed to our membership with time for public comment. Director Sibold shared the amount for tap fees charged by

Tri-County Water. Directors were polled about their opinion. Directors reached consensus to proceed. Attorney Link suggested setting a dollar limit. Director Rhoades was not in favor of any type of rate increase to the entire membership. Director Garvey was in favor of SMPA absorbing some costs as this would promote growth in her district. Director Justis shared that he was in favor of economic development, but was also in favor of growth paying its way. He was in favor of developing a grant program that could be extended to attract new businesses to the area that could create new jobs. Director Sibold agreed with Director Justis. He asked the question to directors of how absorbing the extension costs would be a benefit to the full membership. Director Alexander shared he would like to see the analysis done by PSE. Overall Directors reached consensus to have PSE proceed with conducting an analysis and to show the impact of SMPA absorbing the transformer and Facility Reinforcement Fee costs.

viii. Fiber Update

Terry Daley gave a presentation on the fiber request received from Michelle Haynes of Region 10. The request is asking SMPA to assist with providing middle mile fiber optic network to connect all counties and communities in the SMPA territory. Region 10 is requesting 2.25 strands of fiber that SMPA owns as an in kind donation to the project. They also requested a 20 year right of use of 6 strands of fiber from Sunshine to Telluride that is currently in the planning stages. Region 10 proposes to share in the costs with SMPA to perfect easements from Sunshine to Telluride. Region 10 is requesting that SMPA be willing to share in construction costs of expansion of fiber on the Montrose to Dallas Creek substation.

Terry explained what fiber SMPA currently owns (Dark Fiber Network Agreement), which is currently leased to Tri-State. Currently the DFNA fibers are on the books for $2.5 million dollars. The fibers were installed around the year 2000. The portions of fiber that are installed are along various transmission routes i.e. Colona to Ouray. He also outlined other fiber stakeholders and their patchwork of fiber assets i.e. Eagle Net.

Staff asked Directors for their comments on the request from Region 10 in hopes of drafting a response to Region 10. Director Rhoades was not in favor of giving away a $2 million dollar asset. Director Garvey shared that Nucla Naturita Telephone Company (NNTC) provides good service in her area. President Felicelli shared that he is in favor of getting high speed internet in his area but would like to know how much this would cost. Director Justis would like to know more information and who is the lead organization. Director Sibold wants to know how this project will benefit our members and which members will benefit. Discussion took place. Manager Ritter shared that he can invite Region 10 to provide a presentation to Directors.

6. POLICY REVIEW

A. Light Duty Policy

Directors reviewed the Light Duty Policy as presented.

B. Member Information Public Relations Policy

Directors reviewed the policy as presented. No discussion was presented.

C. Jury Duty and Subpoenaed Witness Policy

Directors Reviewed the policy.

Director Rhoades motioned to accept all three policies as presented. Director Sibold seconded. The motion was voted on and carried.

7. ATTORNEY REPORT

Director Garvey motioned to go into executive session. Director Alexander seconded. The motion was voted on and carried.

Directors came out of executive session at 4:20 p.m. While in executive session personnel matters were discussed. No votes were taken and no decisions were made.

8. ASSOCIATED MEETING REPORTS

A. CREA

Director Alexander reported that DMEA has approached CREA to assist with legal costs associated with a territorial dispute between DMEA and the City of Delta. The CREA Directors voted and approved a dues assessment to each CREA cooperative. SMPA's portion of the assessment would be $3,847.

Mike Williams has announced that he has accepted a new position with Pedernales. CREA will begin the process to look for his replacement.

An unmodified audit was performed by Dryer Kelso.

Directors were reminded that the Energy Innovations Summit will be held in October in Denver. CREA Directors continue to discuss resolutions.

B. Western United Electric

Director Alexander shared that WUE is starting a rubber goods testing facility. They are beginning to receive lab equipment. WUE believes they can provide the service at less of a price than what cooperatives are paying now. The lab will be located in their Brighton facility.

Directors were asked about their alternate voting delegate designation. Directors chose Director Cokes as the alternate voting delegate for the NRECA, Colorado membership meeting at the CREA Energy Innovations Summit.

WUE has just completed their fourth year in the State of New Mexico. They have completed $9.4 million dollars in business there.

C. Tri-State

Director Sibold shared that LaPlata was asking the Tri-State board for additional funding under policy 115 or 117 for a bio mass project in their area.

Director Sibold gave a presentation on reciprocating engine technology.

12. NEXT MEETING

Directors discussed moving the October meeting date to avoid a conflict with Director Schedules. Directors chose to meet on Thursday, October 29, 2015 at 9:30 a.m. in Nucla.

The meeting was adjourned.

Dave Alexander, Secretary/Treasurer