

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 except Director Sibold whom attended by phone.

2. APPROVAL OF CONSENT AGENDA

Director Rhoades motioned to approve the revised consent agenda (October 31, 2016) and September 27, 2016 meeting minutes with the correction of Dr. Rhoades to Director. Director Garvey seconded. The motion was voted on and carried.

3. MEMBER OR CONSUMER COMMENTS

- Director Rhoades said that consumers like the new Silverton street lights.
- Manager Zaporski explained that member letters regarding the rates were included in the board packet. Consumer comments and questions were discussed. The Colorado Cooperative Company (Nucla Ditch Co) emailed a letter that was received the morning of the board meeting. Manager Zaporski read the letter to the Directors. In the letter the The Colorado Cooperative Company requested support of the hydro project they are considering, with SMPA passing through Tri-State's rate with no additional fees, in an effort to make the project financially feasible. Director Garvey paused the above conversation with the topic of the possibility of recusing herself due to conflict of interest (husband on board), it was decided that was not necessary.
- Director Garvey mentioned that she had a conversation with a member who was upset about the potential rate increase.
- Director Cokes said she has had mostly positive comments in regards to the potential rate increase.

John Metcalf from Independence ISP out of Ridgway attended (came in late and in the ctr of rate agenda item) consumer comment. Mr. Metcalf explained his business and the need for additional fiber in Ouray County. Mr. Metcalf asked specifically if SMPA had any additional fiber plans (ie. Between Ridgway and Montrose) and if any of these plans would help serve the local community for internet service. Manager Zaporski responded that SMPA keeps all options open with regard to fiber. The fiber that SMPA owns now is used to communicate with substations and our office locations. SMPA is not currently looking in to becoming an internet service provider. SMPA is working with Region 10, Paradox Trust and Telluride Foundation to help facilitate getting fiber to carrier neutral locations throughout the service territory. The largest know constraint is the area from Montrose to the Dallas Creek Sub Station.

4. STRATEGIC PLANNING

Tri-State and our 5% limit; Bridal Veil Pandora and 115 v QF

Bridal Veil and Pandora are currently offline with no estimated time to be back in service. Further explanation regarding the contractual situation to follow in Executive Session. There are technical considerations moving forward regarding that will be considered to determine whether new hydro projects follow under Qualifying Facilities or if they fall under Policy 115. Director Sibold explained that Tri-County Water is talking to Tri-State and looking at the possibility of ending their contract. Tri-State pays less than Aspen, there is also discussion of the possibility of splitting the cost 50/50. Per Attorney Link SMPA is currently in compliance with the rate published.

Manager Zaporski examined several factors to consider when determining fee structure and how to classify a facility. 1. Increased transmission fees 2. An additional fee such as a facility usage charge 3. System impact studies to determine feasibility for transmission. Manager Zaporski explained that Tri-State is currently charging

these costs to the distribution co-op that has a QF on their system. Manager Zaporski is attending the SW Managers meeting this week and he and other co-ops are looking to pro-actively conduct our own system impact study to hopefully eliminate some of the additional fees associated with Tri-States studies. This is called a hosting capacity study. The methodology for this study would have to be created and will establish a standardized methodology to use. Other questions to consider, should the extra costs be passed on to the QF developer (built in to the contract) or should SMPA absorb the costs? Manager Zaporski has not found any other co-ops with QF rates that specifically address these identified additional costs.

The larger question to the board is the long-term strategic goal, would we like to aggressively move forward with renewable energy or maintain how we are currently? Board responses:

- Director Cokes suggested the possibility of the developer to absorb the fees, but offer a possible rebate? Not ready for a decision without all the data.
- Director Justis would like to hold off on any type of decision until discussion in executive session.
- Director Garvey was not ready for a decision until she has a better understanding.
- Director Rhoades wanted to know how many fees can Tri-State impose? Would like to wait until further information in executive session.
- Director Alexander would like to refrain until executive session and would like to see a more conservative approach until we have more information. He was against any subsidy and not interested in aggressively seeking Qualifying Facilities.
- Director Sibold suggested a slow and conservative approach; gathering as much information as possible.
- President Felicelli would like to see a middle of the road approach. He is unsure of the hidden costs and would like to wait and see before coming up with a new rate until there is clarity.

President Felicelli brought up a situation in Mountain Village of a lot owner that needs a transformer. Discussion of the Line Extension Policy. Suggestion is if purchasers/developers add new services to the existing facility then they should pay a prorated portion back to the first consumer. Currently growth pays its own way. Director Justis questioned how often this happens. Manager Zaporski explained he knows of three times in the past eight years that it has been brought to the board level. He also explained that our policy is similar to other utilities (Source Gas).

President Felicelli asked all: Do we want to change the current policy and opinion. Responses were as follows:

- Director Sibold thought these points were reasonable and questioned how long the time frame should be. He suggested we should look at the policy and come up with different options.
- Director Cokes would like the policy to be fair, but, expressed concern for the administration of contacting new homeowners and the work involved. Suggested looking at what we currently have.
- Director Rhoades would like to review the policy and make it fair to everyone.
- Director Garvey is struggling with a fair resolution. She was concerned that action is happening because now a consumer with more money is requesting assistance. Manager Oliver clarified the differences with commercial and residential.
- Director Justis would like to take another look at the policy and what other co-ops do.
- President Felicelli expressed that he does not think it is fair when the initial/first homeowner has to pay for the extension. Suggested we look at how other utilities do it.

In summary, SMPA should look at the current residential Line Extension Policy and take a look at how to rebate with a time limit (7-year suggestion). Manager Zaporski will look at what other co-ops are doing and will get back with the board for further discussion in December. Zaporski also read the current policy to the board members. The policy was looked at in April 2016; the policy was amended; SMPA pays for single-phase residential transformer.

Board Retreat and Strategic Planning-Schedule

Director Cokes will follow up with United with who they used as a facilitator. A general time line for the Strategic Planning meeting in 2017 is mid-February or early March.

5. CEO REPORT

Introduction of Employee Guests

Manager Zaporski introduced new employee Danielle Rodriguez. Danielle is new to the mountains. She moved here just over a year ago, spent 13 years in Arizona. She has two young boys and her husband teaches in Telluride. The board members introduced themselves to Danielle.

Corporate Donations

n/a

Board Donations

- Director Rhoades would like to donate \$200 to the Historic Society for the Silverton Christmas lights.
- Director Garvey would like to donate \$400 to Family Link food bank.
- Director Cokes would like to donate \$300 to PARC.
- President Felicelli would like to donate \$300 to Go Hawkeye and \$200 to Angel Baskets.

Finance

Manager Rutherford did a quick Form 7 training. Following the Form 7 review, Manager Rutherford reviewed the Income Statement SMPA uses a 1.6 OTIER goal, RUS regulations require a 1.1, for two out of the past three years. A draft budget will be presented to board in mid-November for final approval in December. Controllable expenses were reviewed thoroughly by all department managers and cuts were made where they could. SMPA's change in rate structure with Tri-State has changed our demand/energy use charge. The increase in the load factor decreases the cost per kilowatt hour which equals an average wholesale cost decrease. The 4.2% Tri State rate increase with the re-analyze with the load factor assumptions forecast an approximate 3.7% increase. Manager Rutherford explained even with a significant (\$800,000) adjustment, SMPA would still meet the 1.6 OTIER goal. A large portion of savings for customer service is a result of the change in credit card processing fees. This alone is a savings of approximately \$6,000/mo. Manager Rutherford explained that a rate increase can be re-addressed mid-year if SMPA needed room for some variance from the budget and still meet RUS OTIER minimum.

Update Rate Discussion and Presentation

Manager Zaporski explained that as Tri-State refined their rate study there were some significant changes. This resulted in SMPA having to update the Cost of Service Study. As the budget was further refined this also causes the need for an update to the Cost of Service Study. Manager Zaporski explained that although no rate increase is needed, the board may want to rebalance the rates. Changing the structure will lessen the overall risk should there ever be a time that we lose one or more of our large loads. Director Justis asked what are the risks of us losing any of our key accounts? Manager Rutherford explained that we have no one account that is more than 3% of our total load. The only threat would be to lose Telski to self-generation. The rate increase proposals were gone through. Option one is SMPA's current rates- Access Charge \$16 and Energy Charge- \$0.137555. Option 2 is an increase of the Access Charge by \$2, to \$18; lowering the Energy Charge to \$0.134725. Option 3 is an increase of the Access Charge by \$4.50, to \$20.50; lowering the Energy Charge to \$0.131185. Option 4 is an increase of the Access Charge by \$6.00, to \$22.00; lowering the Energy Charge to \$0.129055. Option 5 is an increase of the Access Charge by \$9.00, to \$25.00; lowering the Energy Charge to \$0.124815. The impact on

single phase would be on those using < 800 kwh, with a potential increase. Those members with usage over 800 kwh would have a decrease in their bill. After several attempts at a rebalance starting with Option 3, and then with no changes Option 1. Director Garvey proposed Option 2, increasing the Access Charge by \$2, Director Cokes seconded, the vote was motioned and carried by all in favor. Attorney Link explained that there is not any mandatory noticing in the bylaws for any type of increase or rate change. Director Garvey proposed an amendment to propose Option 2 for adoption at the November meeting. Director Alexander seconded, the vote was approved by all and carried.

Resolutions from Alpine Bank Approving Wire Transfers & ACH Transactions

President Felicelli made a motion to approve. Director Cokes seconded. The motion was voted on, approved and carried.

Marketing & Member Services

Manager Freeman gave an IQ Solar update. The land has been surveyed and will present to the Board of County Commissioners this week with the hopes to finalize the lease agreement on the 1.5 acres. If the lease is approved, construction will begin Friday. Manager Freeman also noted the large load rules and regulations (treated as policy) that will require a deposit of 2x an average bill and hold indefinitely. This deposit is a protectant against possible overdue payments. In Manager Freeman's research, it was found that we have been inconsistent collecting these deposits and would like to begin collecting. He will take a closer look at the policy/rules and regulations and get back next month on exact policy.

Information Technology

Current IT contract ends in April.

Administration & Human Resources

Steve Bisson- NRECA to present info re: RS Plan

Mr. Bisson provided an overview of the RS Plan, the risk associated with it, and where we are at currently.

Approval of Interconnect Policy

Director Rhoades motioned to approve the Interconnect Policy. Director Cokes seconded. The motion was voted on and carried.

Approval of Delegation from the BOD to GM Policy

Director Rhoades motioned to approve the BOD to GM Policy. Director Cokes seconded. The motion was voted on and carried.

Engineering

Telluride/Mt. Village Reliability Project update

Manager Riley gave an update that the project is still moving along. The Board of County Commissioners is very supportive. Next week scheduled to do a pre-bid walk through. Bid will happen after permits. The Gypsum Valley transformer received three bids. ABB was awarded the bid at \$209,000 without taxes.

Operations

Manager Oliver gave update that the lighting project in Silverton is completed. We will participate in the Ridgway parade of lights this year. SMPA changed out 65 ft. pole at the San Miguel County fairgrounds, this went well. Oliver explained we would more than likely set the tree in Norwood this year.

Safety and Regulatory Compliance

Safety slogan winner will be released this week at the all employee meetings. Manager Zaporski explained that all near misses will be included in next month's safety report, they are already reflected in the safety meeting minutes.

6. ATTORNEY'S REPORT

Director Cokes made a motion at 2:52 PM to enter into executive session for personnel and contractual issues. Director Garvey seconded. The motion was voted on and carried. The board entered into executive session at 2:52 PM and came out at 4:30 PM. While in executive session no decisions were made, nor votes taken.

7. ASSOCIATED MEETING REPORTS

CREA – Bob Justis

Federal geo thermal tax credits were not extended. Poudre Valley started community battery projects using unclaimed capital credits. La Plata- SW Bank, draft budget CREA joining CO Bank. Winter meeting scheduled Feb. 11-14, 2017.

Western United –Bob Justis

Very efficient, well organized, well-managed company. Presentation on consumer price index increase. Increasing employee cost of living. Will let Manager Zaporski know when we send an alternate or non-voting participant.

Tri-State – Jack Sibold

No additions or questions to email.

Eco Action Partners – Jack Sibold

No additions or questions to email.

8. BOARD TRAVEL

2016 Winter School for Directors (December 2- 7) Nashville, TN. Director Rhoades and Director Alexander; Director Sibold possibly.

9. MISCELLANEOUS

n/a

10. BOARD CALENDAR REVIEW

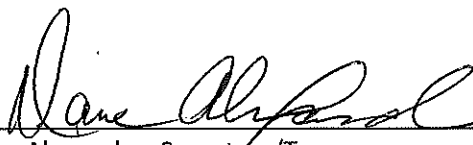
n/a

11. NEXT MEETING

The next board meeting will be held on Tuesday, November 29, 2016 in Ridgway at the SMPA office.

12. ADJOURN

Director Garvey motioned to adjourn the meeting at 4:46 PM. Director Rhoades seconded. The motion was voted on and carried.



Dave Alexander, Secretary/Treasurer