

1. CALL TO ORDER

President Felicelli called the San Miguel Power Association (SMPA) Board of Directors regular meeting to order at 9:00 AM. The meeting was held in person at the Nucla office location and via Zoom Video/Teleconference. Director Garvey, Director Brown and Director Rhoades attended via Zoom Video/Teleconference, and Director Felicelli, Director Cokes, Director Alexander and Director Cooney attended in-person at the Nucla office location.

2. APPROVAL OF CONSENT AGENDA

Director Cokes motioned to approve the revised consent agenda (January 25, 2022) and the December 15, 2021 meeting minutes. Director Alexander seconded. The motion was voted and carried.

3. MEMBER OR CONSUMER COMMENTS

General Member/Consumer Comments

- Director Cokes and Director Felicelli reported receiving comments regarding Net Metering policy updates.
- Director Cokes, Director Felicelli and Director Cooney advised they had been contacted regarding capital credit checks; some had questions while others expressed gratitude for their capital credit checks.
- Director Cooney stated he had been contacted regarding Tri-State's Electric Resource Plan (ERP) filing with Colorado Public Utilities Commission- (PUC).
- Director Brown reported he had received comments regarding a power outage that occurred.
- Manager Zaporski advised that staff has received several letters from members regarding Net Metering policy updates, noting that these letters have been shared with the Board on the Call to Order App.

Sharing Success Grant Presentation

Key Accounts Executive Terry Schuyler gave a brief overview of the Sharing Success Grant Program, noting that the program is designed to stimulate economic development within our communities. A sub-committee reviews the Sharing Success Grant applications and makes recommendations to the Board, and the Board votes on the recommendations. Mr. Schuyler reported funding for the program is a combination of SMPA funds and matching funds from CoBank.

- Mr. Schuyler presented Agnieszka Przeszlowska and Alexandra Durham of Ouray County Schools Community Resource Consortium dba Voyager Youth a \$5,000 check from Sharing Success Funds, announcing that Voyager Youth Program will receive an additional \$2,500 donation from Basin Electric.
- Mr. Schuyler presented Paul Major of the Telluride Foundation Rural Housing Project a \$15,000 check from Sharing Success Funds, announcing that the Telluride Foundation Rural Housing Project will receive an additional \$5,000 contribution from Basin Electric.

4. BOARD TOPICS

Billing Format Review and Discussion

Manager Freeman provided an overview of the billing statement and explained rate tariff coding, noting that the SMPA website has information to 'Understanding Your Bill' as well as rate tariff coding and descriptions.

5. STRATEGIC PLANNING UPDATE

Determine the optimal long-term power supply strategy that best achieves safe, reliable, cost-effective and environmentally responsible service to our members. – Brad Zaporski

Manager Zaporski reviewed that in 2021 SMPA was one of three distribution cooperatives that filed to reserve rights to move to a Partial Requirements Contract (PRC) during Tri-State's open season. This filing allows SMPA to receive up to 35% of its load from an alternate power supply source while maintaining a Board seat at Tri-State. Mr. Zaporski advised the Board that he, and the other two cooperatives that filed for PRC, met with Tri-State CEO and Tri-State Legal Counsel, discussing terms of the potential settlement for the Buy Down Payment (BDP), noting that at the conclusion of the meeting all four parties agreed upon the terms for the BDP to move to a CTP. The next step is for attorneys to draw up the settlement filings discussed and file at FERC. Mr. Zaporski advised that SMPA will interview attorneys specializing in power supply to assist with the situation's escalating complexity. He highlighted that these steps do not obligate SMPA to move in this direction, but they are a requisite next step if SMPA wishes to continue to explore moving to a PRC with Tri-State. Manager Zaporski highlighted that with this potential move to a PRC, SMPA would remain a 100% transmission member (Class A) of Tri-State while allowing SMPA to contract with an alternate power supply provider to provide up to 35% of SMPA load. Concurrent with Tri-State happenings, Manager Zaporski advised that staff and consultants continue to communicate with the shortlist from the Power Supply RFP. Ideally, the Board would select a possible third-party power provider before April to begin working through the logistics of a potential contract, noting that the initial selection will open the door to begin the negotiation process and not a locked-in contract.

6. CEO REPORT

CEO. Items

Power Supply Update

Manager Zaporski reported that Tri-State recently held a special CEO meeting to explain debt structure and how it could be impacted by CTP at FERC. Manager Zaporski explained that United Power has filed to exit Tri-State at FERC, proposing a balance sheet methodology to determine the exit fee, which primarily accounts for an individual cooperatives portion of Tri-State's debt. Tri-State has filed a debt and obligations methodology to determine the exit fee, which considers the individual cooperatives portion of Tri-State debt and accounts for lost revenue through the contract end date. Depending on the methodology FERC approves, it could shift costs from the exiting member to the remaining members, potentially causing upward rate pressure. Further to the impacts of exit fee calculations, Tri-State has a significant amount of debt that is tied to a covenant that states if Tri-State loses 20% of its load/revenue, the lender can put a call on the debt. If this happens, it could create a cross-triggering event. Director Brown commented that in this scenario, lenders may work with Tri-State to restructure loans in lieu of putting a call on the debt that could potentially result in bankruptcy.

Manager Zaporski communicated that the distribution cooperative business structure is a model of small utilities joining together to essentially create a Generation and Transmission (G&T) in order to mitigate risk and provide economies of scale when moving into large obligations for building projects such as power plants and cross-country transmission lines. Historically expenses have been distributed throughout the membership; however, there is a filing at FERC regarding the direct assignment of costs for radial transmission lines. Manager Zaporski explained that a radial transmission line is like a spur that splits off from the main transmission line to serve a specific area, noting that a large portion of SMPA service territory is served from radial transmission lines. This filing would result in the shared transmission expense being adjusted, moving from a shared expense to a direct assignment cost to the cooperative that utilizes it. If this case passes at FERC, it could impact SMPA with approximately a 9% per year wholesale rate increase. Manager Zaporski advised that staff is reviewing options to best handle this situation.

Legislative Update

N/A

COVID-19 Discussion

Manager Zaporski informed the Board that SMPA facilities currently have a mask mandate and that operation teams are operating in designated cohorts to minimize interaction between teams in each location.

Restructure

Manager Zaporski advised the Board that the organization restructure that became effective January 1, 2022, is working out very well for the coop, noting a couple more changes have been made, including evolving the Nucla facilities position to include warehousing responsibilities.

Introduction of Employee Guests

Phil Zimmer, Energy Services Executive; Terry Schuyler, Key Accounts Executive; Kelly Truelock, Staff Accountant; Joshua Hainey, Senior Staff Accountant; Alex Shelly, Communications Executive; Danielle Rodriguez, Human Resource and Administration Coordinator and Mike Therriault, Engineering Supervisor, were also in attendance at the meeting virtually or in-person.

Manager Tea reviewed SMPA's employee recognition program, where the employees can recognize their peers. Following a brief overview of program guidelines and committee review process, Mr. Tea advised the Board of awards to be presented. Alex Shelly, Communications Executive, was recognized for his Humor. Mr. Shelly creates one-of-a-kind hand-drawn caricatures that are a fun way to celebrate SMPA retirees.

Community Focus Donations

The Board reviewed the application scorecard results. Following review, Director Garvey motioned to award the Community Focus donation funds following the scorecard results based on the most returned donation amount (as follows) and apply for Basin match when applicable. Director Rhoades seconded. The motion was voted and carried. The awarded amounts are as follows:

- Silverton Skijoring, \$1,500 SMPA donation with a \$1,500 Basin Electric match request.
- Valley Food Partnership, \$500 SMPA donation.
- EcoAction Partners, \$1,000 SMPA donation with a \$1,000 Basin Electric match request.
- Western Slope Dark Sky Reserve Coalition, \$500 SMPA donation with a \$500 Basin Electric match request.
- Ridgway Community Garden, \$1,000 SMPA donation with a \$1,000 Basin Electric match request.
- Norwood Dark Sky Advocates, \$500 SMPA Donation.
- Telluride Adaptive Sports Program, \$900 SMPA donation with a \$900 Basin Electric match request.

Board Donations

N/A

Finance Update

Financial Audit Status

Manager Lehigh reported that preliminary fieldwork began in November, and the full audit will begin soon.

RUS Compliance Review Update

Manager Lehigh stated that Rural Utilities Services (RUS) recently completed an onsite audit, noting this is the first RUS audit since 2013. The field agents reviewed three different loans; they advised they had not found any material difference during the exit interview, though they had a few process improvement recommendations.

Tri-State Capital Retirement Update

Manager Lehigh advised the Board that in anticipation of a lower cash position entering into the new year, the Tri-State capital credit retirement funds will be recognized in January 2022.

Western United & NISC Capital Credit Allocations

Manager Lehigh reported SMPA received dividends from Western United and NISC, highlighting that our cooperative partnerships work.

Update Bank Authorized Signatures for Citizen's State Bank.

Manager Lehigh advised the Board that Citizen's State Bank required more precise language to update authorized signatures for Citizen's State Bank.

Director Cooney motioned to approve resolution 2022-02 Update Bank Authorized Signatures with an update to include Director Doyleene Garvey as an authorized signer. Director Cokes seconded. The motion was voted and carried.

Manager Lehigh reported that December revenues were less than budget. This was due to a budgeted amount for the prior year's deferred revenues of \$665,000 and anticipated increases in sales year over year, noting that sales increased from 2020 to 2021, but did not meet the anticipated levels of the budget with the ongoing pandemic. Mr. Lehigh advised that the approved deferred revenue plans from 2018 and 2019 called for \$400,000 to be applied to 2021 income. The additional \$265,000 budgeted was done with the intent to amend the 2018 and 2019 plans to request additional deferrals for those years to be used in 2021 if needed. In anticipation of wholesale rate increases from Tri-State, SMPA will recognize the deferred revenue in 2021 and file a new revenue deferral plan that will help SMPA reduce the potential increases to the members. Manager Lehigh reported that YTD revenues were less than budget by .03%, purchased power was 3.13% below budget for the month, and 2.34% above budget YTD.

Marketing & Member Services

InComm Cash Payments (Family Dollar)

Manager Freeman advised that through a partnership with NISC and Incomm, members now have the option to pay their bill with cash at Family Dollar stores in our service territory as well as over 8,000 Family Dollar stores nationwide. He explained that through SmartHub, members are assigned a unique bar code that Family Dollar customer service agents can scan and take payment that will apply to their accounts within minutes.

Information Technology

Manager Tea reviewed his report, highlighting the continued focus on cyber security, emphasizing prevention and setting the organization up for a quick recovery if an event were to occur. He advised the Board that the recent monthly report from our cyber security providers showed zero cybersecurity incidents but hundreds of investigations.

Administration & Human Resources

Manager Zaporski advised the Board that a service technician had resigned, and the position will be posted as soon as possible.

The Board reviewed Policy 303 Net Metering policy updates, including allowing net-metering members to choose their annual period end date of April or November 1, allowing the kWh bank to continue, but scaling it back to 1,000 kWh with the carry-forward provision expiring on December 31, 2023. Director Cooney motioned to approve Policy 303 Net Metering with updates as presented. Director Garvey seconded. The motion was voted and carried.

The Board discussed options regarding members with more than 1,000 kWh banked. Following discussion, Director Cooney motioned to offer a one-time payout to members at the retail rate for their banked kWh; the maximum bank the member can keep for the next two years is 1000 kWh, but if they zero it out at the 2022 true-up date, the member will be paid for the balance of their bank at the retail rate, but if they keep any of it, it will never be paid at retail rate. The motioned failed to be seconded.

Director Cooney modified the motion to approve a one-time zeroing out of the net-metering excess generation bank accounts to the policy limits at the end of the annual period selected by the member, paying the net metering members for the balance at the retail rate, with the difference between the wholesale and retail rate paid from the Greenfund. Any future net metering bank payouts will be paid at the NMAC (Net Meter Avoided Cost) as determined by SMPA. Director Cokes seconded. The motion was voted and carried.

The Board reviewed Policy 200, Signing of Checks. Director Alexander motioned to adopt Policy 200, as presented, including updating the title of the policy to Issuance of Payments. Director Rhoades seconded. Following discussion, the motion was voted and carried.

Engineering | Operations | Safety and Regulatory Compliance

Construction Work Plan Presentation and Resolution

Manager Fox introduced Scott Ray from Power Engineers. Mr. Ray presented an overview of the 2022-2025 Construction Work Plan (CWP). The CWP was developed with a priority on safety and reliability improvements. Significant projects in the CWP include the Red Mountain Reliability and Broadband Improvement Project and substation upgrades, including copper rebuilds.

Director Alexander motioned to approve the Construction Work Plan and Resolution as presented. Director Cooney seconded. Following discussion, the motion was voted and carried.

Western Line Builders, Inc

Manager Fox advised the Board that staff has been pleased with Western Line Builders' work and would like to renew the Western Line Builders contract for another year.

Director Rhoades motioned to approve contracting with Western Line Builders for another year. Director Alexander seconded. The motion was voted and carried.

Manager Fox stated that staff is working with CDOT to verify dates and times for the Highway 550 road closures needed to complete the vegetation management work on Red Mountain, noting that weather permitting, the

targeted dates are Mid-April to Mid-May in order to complete the project before Memorial Day. Manager Fox reviewed his report highlighting that SMPA has experienced a roughly 30% increase in new service orders. SMPA received recognition from the National Rural Electric Cooperative Association (NRECA) and the Rural Electric Safety Achievement Program (RESAP) for one full year of no lost-time accidents.

7. ASSOCIATED MEETING REPORTS

CREA- Debbie Cokes

Director Cokes reported the next CREA meeting is scheduled for January 27-28, 2022.

Western United- Dave Alexander

N/A

Eco-Action- Kevin Cooney

Director Cooney communicated that the IQ Weatherization program name has changed to CARE Program, noting it will continue to cobrand with SMPA.

Tri-State- Kevin Cooney

Director Cooney advised the Board that the Colorado PUC has circulated a settlement agreement reached with Tri-State and various environmental agencies that outlines interim goals to reduce gas emission between now and 2030. Director Cooney reported that while Tri-State's member sales were 12% below budget, their non-member sales were 195% above budget for November. Director Cooney noted that 40% of member sales were from renewable generation in November. Director Cooney advised that the Tri-State Rate Design Committee meetings are scheduled to begin in February.

8. ATTORNEY'S REPORT

Adopt Changes to Bylaws

The Board reviewed proposed bylaw changes, including refining the definition of joint memberships and how a joint membership can vote, clarifying voting by entity memberships, expanding the definition of member quorum, increasing the date of record to 60 days, making changes to Director qualifications and election procedures, allowing for electronic voting in Director elections and sets members preferred communication method default to mail except when a member updates communication preference to be via email. Director Alexander motioned to approve the bylaw changes as presented. Director Rhoades seconded. The motion was voted and carried.

Adopt Policy 111 – Election of Directors

Director Alexander motioned to adopt Policy 111 – Election of Directors as presented. Director Rhoades seconded. The motion was voted and carried.

It was determined that an executive session was not needed.

9. BOARD TRAVEL

The Board discussed CREA's Annual Meeting scheduled in February 2022 and Tri-States Annual Meeting scheduled in April 2022.

10. MISCELLANEOUS

Set Date of Record

Director Alexander motioned to approve the date of record, April 10, 2022. Director Rhoades seconded. The motion was voted and carried.

Western United Annual Meeting Voting Delegate and Alternate
Director Cooney motioned to appoint Director Alexander as the Western United Annual Meeting Voting Delegate with Director Cokes as the alternate voting delegate. Director Alexander seconded. The motion was voted and carried.

11. BOARD CALENDAR REVIEW

The Board reviewed the calendar and, following discussion, determined they would suspend February 23, 2022, meeting and reconvene on March 8, 2022, in an executive session to discuss contractual matters.

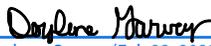
12. NEXT MEETING

The next Board of Directors meeting will be Wednesday, February 23, 2022, in Ridgway and Via Zoom, reconvening on March 8, 2022, in an executive session to discuss contractual matters.

The March 2022 meeting will occur on Tuesday, March 29, 2022, in Nucla and Via Zoom.

13. ADJOURN

Director Alexander motioned to adjourn the meeting at 2:27 PM. Director Garvey seconded. The motion was voted and carried.


[Doyleene Garvey \(Feb 23, 2022 17:59 MST\)](#)

Doyleene Garvey, Secretary/Treasurer