

Record of Proceedings
San Miguel Power Association
Board of Director Meeting Minutes of
September 24, 2024 (Silverton and Zoom Virtual Meeting)

1. MEETING PROTOCOLS

Executive Assistant MartyJo Davis presented an overview of meeting protocols and provided instructions on utilizing features of the Zoom Virtual Meeting platform that allow members to participate virtually.

2. CALL TO ORDER

President Felicelli called the San Miguel Power Association (SMPA) Board of Directors regular meeting to order at 9:06 AM. The meeting was held at the Grand Imperial Hotel in Silverton, CO, and via Zoom Video/Teleconference. All Directors attended the meeting in person at the Grand Imperial Hotel.

3. APPROVAL OF CONSENT AGENDA

Director Alexander motioned to approve the consent agenda (September 24, 2024), including August 27, 2024, meeting minutes. Director Rhoades seconded. The motion was voted and carried.

4. MEMBER OR CONSUMER COMMENTS

General Member/Consumer Comments

- DeAnne Gallegos, Public Information Officer for the San Juan County Office of Emergency Management and Executive Director of Visit Silverton, reviewed the formation of "Team Gold," a coalition of public, private, and nonprofit organizations focused on creating a resiliency plan for Silverton. The project aims to enhance energy security, resilience and sustainability. Ms. Gallegos expressed appreciation for SMPA's participation in Team Gold. Ms. Gallegos highlighted that Silverton was selected from a highly competitive applicant pool to receive a \$100,000 award in phase one of the funding process. She also shared a 10-minute informational video submitted as part of the Phase 2 application, which played a key role in securing an additional \$200,000 in funding.
- Director Loczy received a member inquiry regarding their irrigation meter. A staff member promptly followed up, reviewing the meter data and providing a detailed explanation to the member.
- Director Loczy received a request from the West End Sustainability Plan Committee that SMPA have a representative on their committee. Director Loczy offered to represent SMPA at West End Sustainability Plan meetings, pending Board approval.
- Director Cooney informed the Board that EcoAction Partners will attend the Sustainable Communities Leadership Conference in Jackson, Wyoming, on October 15, 2024. EcoAction will present its collaborative efforts on the Silverton Team Gold project, showcasing how partnerships can help foster community resilience plans. The presentation will serve as an example for other mountain towns in the West, demonstrating how to strengthen local infrastructure and enhance sustainability practices. EcoAction also expressed interest in having SMPA send a representative to participate in the event.
- Director Brown reported that a member inquired about the redundant feeds in the Telluride area, specifically questioning why outages still occur despite the existence of these feeds. Manager Zaporski clarified that while redundant feeds can help reduce outage durations, they do not eliminate outages entirely. Crews must still investigate to identify and isolate faults, ensuring all safety protocols are followed before proceeding with power restoration.

5. STRATEGIC PLANNING

Member Education & Engagement- To provide education and tools to our members to maximize the benefits of their relationship with SMPA. – Wiley Freeman and Alex Shelley

Manager Freeman reviewed the strategic initiatives aimed at enhancing member education and engagement. These initiatives focus on improving energy literacy among the SMPA Board, employees, and membership,

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educating members about the uses and benefits of SMPA tools, demonstrating opportunities for local power integration, and empowering members to optimize their energy use through timing. Mr. Freeman provided an overview of completed tasks and discussed timelines for ongoing and upcoming projects. Mr. Freeman noted that the results of a member survey conducted by Touchstone Energy are currently pending and will be shared when they are available. Manager Freeman highlighted an opportunity for improved communication through the development of a new online net metering form designed to streamline the rebate process and enhance communication with installers and members. Additionally, Manager Freeman highlighted the success of the Power Hours initiative, which has seen record attendance at recent events.

Information Technology- To leverage technology that maximizes internal efficiencies and enhances the members' experience while protecting our electronic assets. – Doug Tea and Mark Prezbindowski
Manager Tea reviewed the strategic initiatives developed to leverage technology to maximize internal efficiencies and enhance the members' experience while protecting assets. These initiatives focus on cybersecurity, maximizing integration opportunities, developing tools to support data-driven decisions, and implementing budgeted software projects while anticipating and planning for an evolving grid. Manager Tea provided an update on the Time of Use (TOU) project, outlining the next steps, progress, and challenges associated with the project, including the integration of opt-out meters into the TOU readings. Mr. Tea advised that the staff is proactively monitoring cybersecurity and closely following evolving best practices.

6. CEO ITEMS

Power Supply Update

Manager Zaporski advised that Tri-State cases at the Federal Energy Regulatory Commission (FERC) have a significant impact on SMPA's budget. The two main cases were highlighted: the rate case, specifically the direct assignment of radial transmission assets, and the wholesale electric supply contract extension. Mr. Zaporski advised that he received a litigation estimate of approximately \$600,000 per year. The discussion concluded with the recognition that further budget adjustments may be required to secure participation in these negotiations.

Rate Discussions

Manager Zaporski noted that the staff has provided the Board with a plethora of information on rates over the past several months, including the advantages and disadvantages of various rate structure strategies, electrification trends, and their implications for the grid and SMPA. He highlighted the increasing likelihood of additional load during peak times, which could pose significant challenges that need to be addressed. This urgency underscores the necessity for a decision on the rate strategy, as the impact may not be immediately apparent but could threaten SMPA's viability in the near future. Following discussions, a majority of the Board members expressed their willingness to explore a Time of Use (TOU) rate proposal. Conversations emphasized the importance of establishing rates that accurately reflect cost recovery while also addressing concerns regarding the potential impact on working-class families. The Board noted that the introduction of a TOU rate would necessitate implementing new tools and incentives, such as heat storage devices and substantial incentives for battery storage, to assist members in managing their energy consumption during peak periods.

Introduction of Employee Guests

Manager Zaporski introduced Jeff Shea, SMPA's Working Foreman for Silverton, highlighting Mr. Shea's 16 years of dedicated service and his vital role as a representative to the membership in the Silverton area. Mr. Shea presented an update on the system improvements implemented this summer, including upgrades at the Cement

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Creek Substation, vegetation management projects, and the replacement of outdated porcelain fuses with modern, enhanced fuses, which will help to significantly reduce outages in the Silverton region. Board President Felicelli expressed gratitude to Mr. Shea for his years of service.

Kelly Truelock, Senior Staff Accountant; Joshua Hainey, Senior Staff Accountant; Megan Rutherford, Energy Service Technician; Phil Zimmer, Energy Services Manager; Mike Therriault, Engineering Supervisor; Greg James, Facility Maintenance Technician; and Alex Shelley, Communications Executive, attended the meeting, either in person or virtually via the Zoom webinar platform.

Community Focus Donations

The next donation review is scheduled for October 2024.

Executive Assistant MartyJo Davis informed the Board that the Basin Donation Committee has closed its matching fund program for the year due to depleted resources. As a result, SMPA's charitable contributions in the service territory will be reduced, as Basin matching funds are no longer available to expand the donation program.

Board Donations

Director Alexander donated \$100 to the Just for Kids Foundation.

Finance

Form 990 Review

Manager Zaporski introduced George Lynch, P.C., CPA, from the auditing firm Kelso and Lynch. Mr. Lynch explained that Form 990 serves as an informational tax return and provided the Board with a high-level overview of the report. He emphasized that SMPA maintains its nonprofit cooperative tax status by generating 85% of its revenue from its members, which supports the organization's charitable mission of delivering power to rural communities.

Board Education

Manager Lehigh presented the Key Performance Indicators (KPIs) that focus on metrics related to the plant's performance and fixed expenses. These metrics include line loss percentage, idle services, and fixed expenses, which represent the largest expense impacting the rate base power cost as a percentage of revenue. Manager Lehigh further explained the significance of these KPIs, what they represent, and where they can be located in the financial reports.

Financial Review

Manager Lehigh reviewed the finance report, discussing the company's financial performance and operational metrics, noting a significant decrease in cash reserves due to large vendor payments. However, staff is anticipating an increase in revenue as SMPA moves out of its typically slowest month, July. Mr. Lehigh highlighted that key financial ratios remain strong. Mr. Lehigh shared a graph showing the correlation between temperature and energy consumption, attributing the decrease in load factor to an increase in net metered systems. SMPA also discussed the new rate schedule for Tri-State, which was implemented on August 1st.

Marketing & Member Services

Sharing Success Grant Committee

Manager Freeman presented the Sharing Success Grant Program, a collaboration between SMPA and CoBank aimed at supporting local organizations that enhance financial stability, promote entrepreneurship, and boost community revenue. He defined economic development as efforts to improve the economic well-being and quality of life in communities through job creation and income growth. The program accepts annual applications, typically in late fall or early winter, which are reviewed by a Board committee that recommends fund allocations. For 2024, \$21,000 is available for the program. Following discussion, it was determined that Director Alexander, Director Rhoades and Director Szwarc will participate in the Sharing Success Grant Committee, with Director Alexander chairing the committee.

Information Technology

Manager Tea did not have anything to add to his report.

Administration & Human Resources

Manager Rodriguez reviewed her report, noting that an internal candidate has filled the Service Planner position. This transition will initiate a cascade of hiring events as the current employee moves into the new role, leading to the filling of their previous position. Additionally, the role previously held by the internal candidate consolidated two positions into one, and her departure will result in the division of this role back into two separate positions.

The Board reviewed Policy 102, Functions of the Board of Directors. No updates proposed. Director Loczy motioned to approve Policy 102, Functions of the Board of Directors, as presented. Director Cooney seconded. The motion was voted and carried.

The Board reviewed Policy 301, Line Extensions & Alterations. The proposed changes include the adjustment of the temporary service definition from 18 months to 12 months to align with state electrical inspection guidelines and the removal of facility reinforcement fees for 50 and 150 AMP services. Director Loczy motioned to approve Policy 301, Line Extensions and Alterations, with proposed updates. Director Rhoades seconded. The motion was voted and carried.

The Board reviewed an updated Policy 306, Member Access to Information. The proposed updates included minor grammatical changes. After review of the proposed updates, Director Brown motioned to approve Policy 306, Member Access to Information, as amended. Director Rhoades seconded. The motion was voted and carried.

Engineering | Operations | Safety and Regulatory Compliance

Manager Fox reviewed his report, highlighting the Red Mountain Electrical Reliability and Broadband Improvement Project (RMERBIP), noting the significant progress achieved this summer. He noted that this project has been a long-term goal, and completing the recent work marks a significant milestone, though much remains to be done. Mr. Fox also informed the Board that Phase II of the project has been divided into Section A and Section B due to permitting challenges.

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Budget Override – Delayed Delivery Fleet Equipment

Due to supply chain delays, several 2023 budget items were not received until 2024, requiring the use of 2024 budget funds to cover these deferred purchases. As a result, there are now insufficient funds available for a 2024 budgeted item, specifically a tracked digger derrick, since the allocated funds were used to cover delayed 2023 expenses. Staff is requesting a budget override of \$150,000 to facilitate the purchase of a used tracked digger derrick. Director Rhoades motioned to approve a \$150,000 budget override to purchase a used tracked digger derrick. Director Alexander seconded. Following discussion, the motion was voted and carried.

8. BOARD TOPICS

The Energy Transition and Time of Use (TOU) Rates

Manager Zaporski advised that the recent 30% increase in capacity charges on SMPA's wholesale power bill reflects the challenges of the energy transition. As traditional baseload energy sources, which can be adjusted to meet demand, are replaced by intermittent renewable resources, the ability to control supply diminishes. This drives up capacity costs while energy costs decline. To better align cost recovery with energy usage patterns, exploring Time of Use (TOU) rates is important in addressing these evolving dynamics.

9. ASSOCIATED MEETING REPORTS

Eco-Action- Toby Brown

Director Brown provided an update on ongoing projects at EcoAction, highlighting that the Eco Action Partners successfully secured a \$191,000 grant from the Colorado Energy Office to fund a full-time Regional Climate Action Plan Development Director for the next three years. This role will help advance climate action plans across neighboring communities, addressing initial challenges in implementation. The grant underscores the availability of significant funding for regional sustainability efforts.

CREA- Val Szwarc

Director Szwarc provided an update on the Colorado Rural Electric Association (CREA) board meeting held on August 29-30. A key topic was the Colorado Energy Office's notification that no changes to the state's net metering policy are anticipated in 2025. Internal discussions within CREA have been complex due to varying perspectives among board members. However, external influences, such as the solar lobby or investor-owned utilities, may still seek changes if legislative sponsors are secured. Additionally, CREA's Executive Director, Kent Singer, proposed exploring relocation options for the organization's headquarters due to safety concerns and the impact on staff recruitment and retention. While specific plans were not outlined, there is a possibility that CREA might seek financial contributions from its members to support this potential move.

Western United (WU)- Dave Alexander

Director Alexander reported that Western United cooperative reached record sales of \$29 million, marking a 32% increase in sales from Co-Op members, primarily due to growth in non-member sales. Additionally, Director Alexander advised that the margins for Co-Op members stand at 2.82%, which is lower than those for other contractors. Lastly, the results of the recent audit were positive, further indicating the cooperative's solid performance.

Tri-State- Kevin Cooney

Director Cooney highlighted Tri-States anticipated ERA funding, which is expected to amount to \$679 million. He noted that this funding will not all be in the form of grants; it will also include low and no-interest loans.

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Notably, Tri-State is not proposing a cost increase in 2025; a vote on this matter is expected later this month. Director Cooney informed the Board that Tri-State used less deferred revenue than projected due to better-than-expected sales in the open market. However, there is a significant write-off of \$157 million related to the closure of the Colowyo Mine and associated remediation costs, which will be distributed over several years. Director Cooney reported that over the next five years, Tri-State plans to utilize deferred revenue from contract termination payments to mitigate rate increases. The new CFO of Tri-State is developing a plan to manage this revenue effectively. Director Cooney communicated that while Tri-State is proposing a zero-rate increase for 2025, the actual rate changes may depend on the revenue collected in 2025. If the revenue collected falls short of covering expenses, the Board will implement a true-up in early 2026 to ensure sufficient revenue is recovered. While no rate increase is currently proposed in the existing tariff, an adjustment may be applied at the end of the year, potentially leading to higher rates.

West End Sustainability Plan Committee

The Board discussed the request Director Loczy received from the West End Sustainability Plan Committee that SMPA have a representative on their committee. Director Loczy offered to represent SMPA at West End Sustainability Plan meetings, pending Board approval. Director Rhoades motioned to appoint District 1 Director Tom Loczy to serve as SMPA's representative at West End Sustainability Plan meetings. Director Alexander seconded. No other nominations were made. Following discussion, the motion was voted and carried. The appointment will be ratified at the October meeting, as it did not meet the 10-day notice requirement.

10. ATTORNEY'S REPORT

Executive Session

Director Szwarc made a motion at 2:36 PM to enter into an executive session for personnel and contractual issues. Director Rhoades seconded. The motion was voted and carried. The Board entered executive session at 2:36 PM and came out at 3:14 PM. While in the executive session, no decisions were made, nor votes taken.

11. BOARD CALENDAR/TRAVEL

The Board reviewed upcoming meetings and training opportunities, including the Tri-State Regional Meeting scheduled for October 3, 2024, in Dolores, CO, CREA's Energy Innovations Conference scheduled for October 26-29, 2024, in Westminster, CO and NRECA's Winter School for Directors scheduled for December 13-17, 2024, in Nashville, TN.

12. MISCELLANEOUS

N/A

13. NEXT MEETING

On October 15, 2024, a Budget Work Session will be held in Ridgway via Zoom virtual meeting.

The October 2024 regular Board of Directors meeting will occur on Tuesday, October 22, 2024, in Nucla and via Zoom Virtual Meeting.

The November 2024 regular Board of Directors meeting will occur on Tuesday, November 19, 2024, in Ridgway and via Zoom virtual meeting.

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14. ADJOURN

At 3:18 PM, Director Rhoades motioned to adjourn the meeting. Director Alexander seconded. The motion was voted and carried.

Signed by:

Toby Brown

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Toby Brown, Secretary/Treasurer