



A Touchstone Energy® Cooperative 

2021 Annual Report



◆ STRONGER THAN EVER ◆



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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.

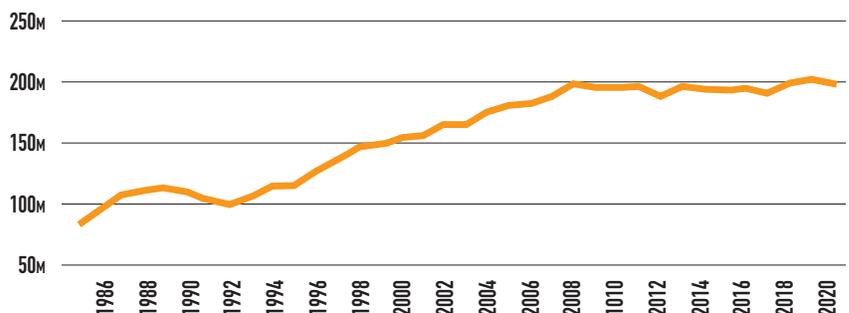
Notice of the Annual Meeting of San Miguel Power Association

The 83rd Annual Meeting of the Members of San Miguel Power Association, Inc. (SMPA) will be held online on the 9th day of June 2022. All members may attend 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 #3 (Montrose, San Miguel, Ouray, Dolores and San Juan Counties including Dunton, Norwood, Placerville, Rico and Sawpit). & District #6 (Part of Ouray County including Ridgway and much of Log Hill Village).
- 02 The reports of Officers, Directors & Committees.
- 03 Any other business that may properly come before the meeting.

2021 SMPA at-a-glance

14,560	Meters	811	Average Residential kWh Use
57	Employees	420	Net Metered Accts
1886	Miles of Line	44,222	Peak Demand (kW)
7.71	Meters Per Mile	1938	Year Incorporated
\$0.134725	Per Residential kWh	TRI-STATE	Power Supplier
\$21	Access Charge	7	Counties Served: Dolores, Hinsdale, Mesa, Montrose, Ouray, San Juan, San Miguel
208.3	Million kWh Sold		





◆ MESSAGE TO MEMBERS ◆

The scientific term, *hypertrophy* is the process by which muscles under stress convert mechanical damage and metabolic fatigue into fuller, stronger muscle that can handle even more stress.

Serving our members through droughts and increasingly dangerous fire seasons, housing issues, a global pandemic, (and associated supply-chain crisis), market disruption due to overseas conflict, and decade-defining inflation, we, at SMPA, believe that the principle of hypertrophy can apply to our cooperative business in the same way.



STRENGTH FOR EMERGENCIES

On page 4, you can learn what our engineering and operations departments are doing to “harden” our system and prevent the sort of damage and losses that other areas of our state have experienced due to increasingly devastating wildfires.

FINANCIAL STRENGTH

As a not-for-profit business, we have very particular financial requirements. Recent economic stresses have also challenged us in this arena. Review our financial report on pages 5 and 6 to see how foresight and strategy have helped us to maintain a stable condition, and position us well for future uncertainty.

STRENGTH IS ADAPTABILITY

One major key to building strength is adaptability. Since 1992, the idea of buying wholesale power from more than one major supplier was off the table. But, when our board set the objective, in 2018, to explore all power supply options, we shook off old assumptions and imagined alternative arrangements for power supply. Learn more about this topic on page 7.

Our industry is in a state of rapid change right now. Regulation is pushing all of us to shift to cleaner but less reliable alternative energy sources. This clean energy future will demand that we alter not only how we buy, but also how we sell electricity. Reading page 3 can educate you on what challenges lie ahead.

STRENGTH IN NUMBERS

As a community partner, we offer assistance for economic development and community assets that tackle problems and provide support. Find out what we are doing to help tackle the need for affordable housing in our region, as well as our efforts to support our local youth on page 9.

Building a more adaptable, intelligent, resilient, stable and supportive cooperative in spite of a variety of challenges means breaking down our assumptions, habits, shortcuts and comforts. But our members depend on us to rebuild stronger than before. That’s exactly what we are doing.

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

WATCH THE VIDEO, 2022 ANNUAL MEETING RECAP @
[WWW.YOUTUBE.COM](https://www.youtube.com), SEARCH CHANNEL “SMPA SMPA”

◆ FOCUS: THE CLEAN ENERGY FUTURE ◆



The site of the old Nucla Coal-burning Power Station

Climate Change Drives Public Policy

So, how do we incorporate renewable energy into this model? The key is timing.



Solar PV Systems only produce power when the sun is shining.



Why avoid charging your EV as soon as you get home from work? It could save money for us all ...and the environment.

HISTORY:

Reliability, Affordability

Electricity has no shelf-life. It must be consumed as it is produced, and in exact proportion. For this reason, the power industry grew into a centralized production, transmission and distribution model that responds instantly to consumer demand.

SMART CONSUMPTION:

Enabling the Transition

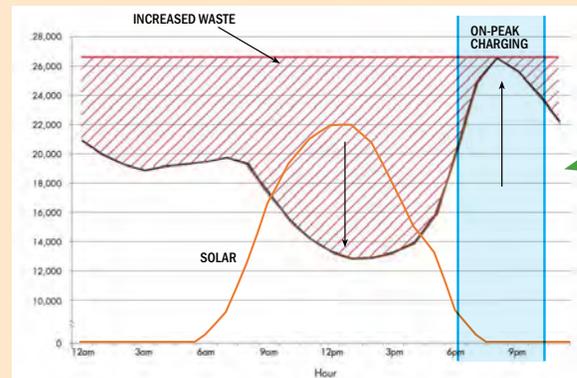
View the sample electric load profile below. For energy efficiency, cost, reliability as well as for environmental impact, a “good” profile is one that is reasonably flat (low peaks and high valleys). This yields the lowest amount of wasted electrical infrastructure, which stands at the ready, but goes unused.

On the other hand, a “bad” profile shows a high peak and a low valley. This causes the greatest amount of waste, which, in turn, causes high fixed costs and the need for more infrastructure.

WATCH THE VIDEO, THE CLEAN ENERGY FUTURE @ WWW.YOUTUBE.COM, SEARCH CHANNEL “SMPA SMPA”

Timing is Everything

Despite its name, the Beneficial Electrification movement could exacerbate the problems of expensive idle infrastructure, and inequity among rate payers if it is not used wisely. However, if devices are charged during off-peak periods or directly by renewable sources while they are producing, they have the potential to be truly “beneficial,” lowering both wasted infrastructure costs and the demand for harmful fossil fuels. The question is... how do we get our population to electrify wisely?



◆ ENGINEERING & OPERATIONS ◆

TOP PRIORITY: Fire Mitigation in SMPA Territory

> **The Pine Gulch fire (July, 2020)** 139,007 acres burned 18 miles north of Grand Junction

> **The Cameron Peak fire (August, 2020)** 208,663 acres burned west of Fort Collins

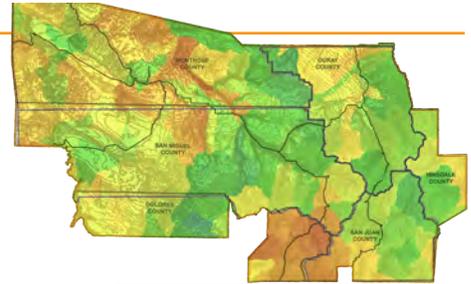
> **East Troublesome fire (October, 2020)** 192,560 acres burned Grand County, including Grand Lake and Lake Granby

> **The Kruger Rock fire (November, 2021)** 145 acres burned near Estes Park, Colorado; 1 related fatality

(An investigation into the cause of the Kruger Rock fire revealed that high winds blew a tree onto a nearby powerline causing it to arc and start the fire.)

If we can learn anything from these statistics, it's that the danger of wildfires in Colorado is very real. SMPA has taken a thoughtful approach to mitigate utility-posed wildland fire risks.

Our electric grid continues to improve with advancement in technology. System engineers have developed modes of operations and procedures to follow the various stages of heightened wildfire risk. These modes of operation reduce the risk of wildfires occurring from cooperative power lines or equipment. In addition to operational preparedness, SMPA personnel carry extra equipment during field operations to improve response to wildfire situations.



STRATEGIC OBJECTIVE: Improve Power Reliability

Red Mountain Electrical Reliability and Broadband Improvement

Clearing the right-of-way of the backup power line that serves Ouray County and traverses Red Mountain Pass along US 550 has reduced the risk of wildfires in the area. If the rebuild project moves forward, it could prevent long-term outages while extending middle-mile fiber-optics.

Telluride / Mtn. Village Reliability

An underground heavy distribution line that connects the Telluride and Sunshine substations allows either one to carry the load of the other in case of a power fault. Since its installation, this alternative configuration has been used on multiple occasions, drastically reducing the duration of nature-caused power outages.

◆ STRONGER THAN EVER ◆

West End Reliability

SMPA has enabled improved communication with the Nucla Substation which gives the ability to keep power flowing during maintenance activities. The next goal is to complete a high-capacity connection between the Nucla and Norwood substations, enabling these two substations to provide source power for each other.

Our Strategic Objective is to identify and prioritize reliability and resiliency risks and issues. Ultimately, these projects are about giving our members a more flexible and resilient system.

WATCH THE VIDEO @ WWW.YOUTUBE.COM, SEARCH CHANNEL "SMPA SMPA"

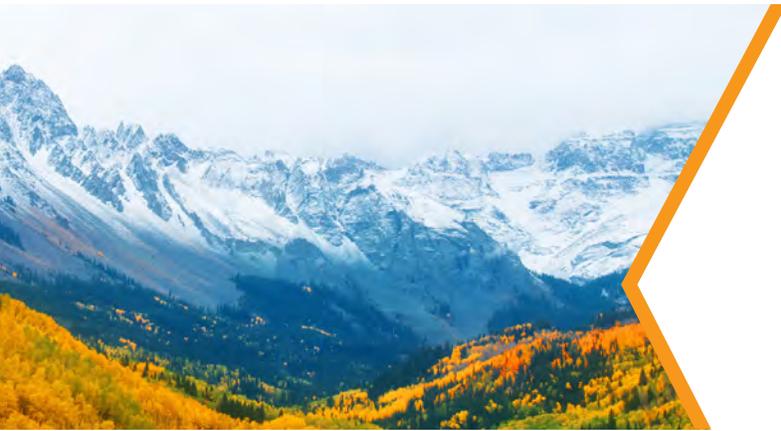




REVENUES	2021	2020
Residential	\$17,974,544	\$17,628,566
Commercial	\$12,434,223	\$11,365,959
Irrigation	\$197,652	\$207,828
Street Lights	\$43,168	\$43,446
Other	\$121,394	\$119,478
Deferred Revenue / Revenue Deferral	\$400,000	\$300,000
TOTAL OPERATING REVENUE	\$31,173,002	\$29,665,277

EXPENDITURES	2021	2020
Cost of Purchased Power	\$16,506,881	\$16,048,453
Transmission Expense	\$86,007	\$79,370
Distribution Expense-Operation	\$3,312,724	\$3,382,909
Distribution Expense-Maintenance	\$1,509,463	\$1,442,991
Consumer Accounts Expense	\$1,254,590	\$1,267,824
Customer Service and Informational Expense	\$534,172	\$444,714
Administrative and General Expense	\$3,197,817	\$2,952,830
Depreciation and Amortization Expense	\$2,600,569	\$2,577,642
Interest on Long-Term Debt & Other	\$1,233,497	\$1,280,225
Other Deductions	\$8,163	\$19,169
TOTAL COST OF ELECTRIC SERVICE	\$30,243,883	\$29,496,129

MARGINS	2021	2020
Operating Margins	\$929,119	\$169,149
Non-Operating Margin	\$93,766	(\$1,741,646)
Capital Credits	\$572,526	\$441,666
Revenue Deferral	(\$400,000)	-
PATRONAGE CAPITAL OR MARGINS	\$1,195,411	(\$1,130,831)

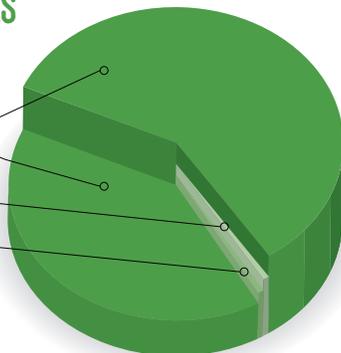


ASSETS	2021	2020
Total Utility Plant	\$99,125,242	\$92,758,627
Less: Reserve for Depreciation	\$34,913,837	\$32,926,738
Net Utility Plant	\$64,211,405	\$59,831,889
Reserve Funds & Investments	\$19,065,189	\$18,639,806
General Funds	\$3,657,155	\$9,412,457
Special Deposits	\$987,332	\$2,041,683
Accounts Receivable	\$3,115,072	\$3,384,329
Material Inventory	\$1,542,531	\$1,323,124
Prepayments & Other Assets	\$133,337	\$117,716
Deferred Charges	\$114,364	\$114,688
TOTAL ASSETS	\$92,826,385	\$94,865,692

LIABILITIES & EQUITIES	2021	2020
Total Equities & Margins	\$46,442,841	\$44,988,985
Total Long Term Debt	\$33,313,351	\$34,945,914
Notes Payable	-	-
Current & Accrued Liabilities	\$8,312,546	\$11,450,926
Deferred Credits	\$4,757,647	\$3,479,867
TOTAL LIABILITIES AND EQUITIES	\$92,826,385	\$94,865,692

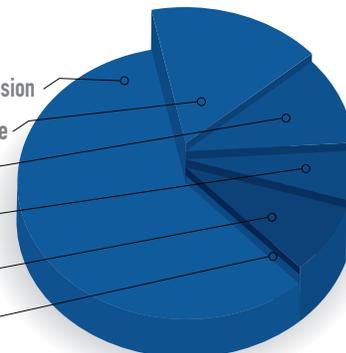
ELECTRIC SALES REVENUE

- 58.65% Residential
- 40.57% Commercial
- 0.65% Irrigation
- 0.13% Outdoor Lights & Other



COST OF ELECTRIC SERVICE

- 54.86% Cost of Power & Transmission
- 15.95% Operations & Maintenance
- 10.57% Admin & General
- 5.91% Consumer Accounts & Customer Service
- 8.60% Depreciation
- 4.11% Other Deductions & Directors Expenses



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

◆ RENEWABLES ◆

Power Supply

SMPA's mission is to provide electricity in the most environmentally responsible way.

Since over half of our electricity is produced by the burning of carbon-emitting fossil fuels, a major goal of energy regulation has been to transition to carbon-free energy sources like wind and solar, while maintaining power reliability and affordability.

Since 2018, SMPA has been actively engaged in the pursuit of a greater portion of clean renewable energy from its wholesale power supplier, Tri-State Generation and Transmission (Tri-State). Under our current "All Power Requirements" contract, Tri-State provides for 95% of SMPA's needs. (The other 5% is from our local renewable sources.)

Although Tri-State has made great strides towards their clean energy goals, as expressed in their Responsible Energy Plan (currently over 33% renewable), SMPA may be able to further increase its own renewable portfolio, by adding power from Denver-based Guzman Energy to the power mix. See how this story develops by checking your monthly EnergyWise newsletter.



The Climate Action Plan Survey

The Climate Action Plan survey is a part of the Ouray and San Miguel County Regional Climate Action Plan. It sets the stage for the next decade of climate action across our region. Designed to capture your thoughts, ideas, and input, the survey covers issues across all applicable emissions sectors.

Help create a sustainable future for our region by taking the survey at <https://www.ecoactionpartners.org/survey>.

The SMPA Green Fund

San Miguel Power Association brings you a suite of options, which gives you full power over your own carbon footprint of your electricity consumption. Learn about any and all of these programs at www.smpa.com/renewable-energy



◆ EFFICIENCY ◆

EFFICIENT TECHNOLOGY SPOTLIGHT: HEAT PUMPS

Looking to comfortably heat and cool

your home in an efficient, environmentally friendly way, and still save money? Consider a high efficiency heat pump!

As the name implies, heat pumps transfer heat energy between inside and outside spaces. So, in the winter they move heat indoors and in the summer they move heat outside. Heat pumps eliminate the need to have two separate systems to perform heating and cooling.



> HEATS EVEN IN SUB-ZERO TEMPERATURES

Modern cold climate heat pumps can heat homes efficiently in sub-zero temperatures, even as low as -25F.

> IMPROVES YOUR HOME'S AIR QUALITY

Heat pumps don't use combustible fuel to create heat rather, they transfer the heat from surrounding air and eliminate potential exposure to dangerous combustion byproducts such as carbon monoxide.

> SAVES MONEY COMPARED TO ELECTRIC BASEBOARD HEAT OR PROPANE FURNACES

A heat pump can transfer 300% more energy than it consumes, compared to a high-efficiency gas furnace's 95% rating. An ongoing EPRI (Electric Power Research Institute) study found that using a heat pump could save hundreds of dollars per year compared to propane at \$1.65 a gallon.



A Touchstone Energy® Cooperative 

ECOACTION PARTNERS



SMPA Residential & Commercial Rebates

- > Residential and Commercial LEDs
- > Energy Star Appliances
- > Fridge/Freezer Disposal Only
- > Whole House Fans
- > Smart Thermostats
- > Induction Cooktops
- > Water Heaters
- > Energy Audits
- > Thermal Storage (ETS)
- > Outdoor Power Equipment
- > Electric Vehicle Charging
- > Electric Vehicles
- > Electric Heat Pumps
- > Walk-in Coolers
- > Irrigation Motors
- > Variable Speed Drives
- > Electric Commuter Bicycles

	ISSUED	SMPA	TRI-STATE	TOTALS
Energy Star Appliance	82	\$3680.00	\$3840.00	\$7520.00
Residential LED Bulb	14	\$55.28	\$553.20	\$608.48
Commercial LED Retrofit	6	-	\$8202.48	\$8202.48
Energy Audits	4	\$450.00	-	\$450.00
Electric Vehicle	11	\$6250.00	-	\$6250.00
EV Charging	10	\$4197.50	\$6899.82	\$11097.32
Air Source Heat Pumps	4	\$2700.00	\$4010.00	\$6710.00
Outdoor Power Equipment	2	-	\$89.50	\$89.50
Solar PV	82	\$68,700.00	-	\$68,700.00
Electric Bicycles	11	-	\$1800.00	\$1800.00
Heat Pump Clothes Dryers	5	\$450.00	\$450.00	\$900.00



SCHOLARSHIP WINNERS



Silverton High School 2K College:
Belen Roof



Ouray High School 2K College:
Charlie Tyler



Telluride High School 2K College:
Ana Pumayalli



Nucla High School 2K Vocational:
Shailah Franklin-Doran



Ridgway High School 2K College:
Cutler Connaughton



Norwood High School 2K Vocational:
Joshua Alexander



Norwood High School 2K College:
Jarett Sinks



Tri-State \$500:
Autumn Houtstra, Ridgway High School



Nucla High School 2K College & Basin Electric 1K:
Keelee Redd



Tri-State \$500:
South Livemore, Telluride High School

COMMUNITY



Groundbreaking at the site of Norwood's future Pinion Park neighborhood.

Sharing Success Grants are one of the ways that SMPA contributes to the economic development of our local communities. We match SMPA Unclaimed Member Dividends with contribution dollars from Cooperative partners, CoBank and Basin Electric to help realize community projects that support economic growth.

One of our greatest community needs for economic vitality is affordable housing for essential work force. Teachers, town employees, police, and emergency workers all encounter the same cost barrier to living where they work, representing the "missing middle" of the housing market.

To address the affordable housing gap, the Telluride Foundation created "Rural Homes; For Sale, For Locals," an initiative to attack the cost of building housing. By integrating donated land, prefabricated

paneled home design, and low-cost construction finance into a toolkit, this project restructures the way rural homes can be financed affordably for the region's essential workforce.

Through the Sharing Success Economic Development Grant, SMPA and cooperative provider, CoBank were proud to add \$15,000 to a \$5,000 match from cooperative partner, Basin Electric for a total donation of \$20,000 to the Telluride Foundation project. The grant will ensure the quality of the HVAC systems within the Norwood and Ridgway housing developments. "We are very pleased that community partners like SMPA, CoBank and Basin Electric are helping to make this key improvement without burdening the homeowner with an additional cost," said Paul Major, Rural Homes; For Sale, For Locals Project Lead.

Community Focus Donations

The board of directors of SMPA sets aside funds from unclaimed Member Dividends which can be given out for the benefit of charitable organizations and community events in SMPA's service territory. Through our Community Focus policy, we demonstrate our commitment to the communities we serve and strengthen our organization's connection to our membership.

In 2021, SMPA delivered:

- > \$35,735 in Community Focus Funds
- > \$700 in Director Donations towards a CFF applicant that could be combined with Basin request
- > \$37,485 in Basin Matching Funds
- > \$2,500 in Tri-State Donations.
- > Telluride Mountain Club -Trail Construction & Maintenance
- > San Miguel Basin Fair Board - San Miguel Basin Junior Livestock Sale
- > West End Visitors Center - Unawweep Tabeguache Interpretive Center
- > Ouray County Rodeo Association - San Juan Skijoring
- > MontroseWest Recreation, Inc. - Youth Programs
- > West End Family Link Center - Robotics Program
- ...and many others!

A total of \$76,420 was used to bolster these community programs, and others.

- > San Juan County Search and Rescue - Emergency Communications

SHARING SUCCESS GRANT RECIPIENT:

VOYAGER YOUTH

Voyager Youth Program's mission is to inspire Colorado's Ouray County youth to achieve healthy lives through enrichment activities with a purpose and substance use prevention programs. SMPA is proud to support this program with a Sharing Success Grant.

GAINING STRENGTH BY LEVERAGING TECHNOLOGY ◆ STRONGER THAN EVER ◆

Although recent times have brought unprecedented difficulties, they've also offered new options through advanced technology. Here are a few examples:

> Online Voting:

For the first time in the history of SMPA, we offered our voting members (District #3, this year) the option of voting online. This new convenience could bolster our overall vote totals, which can strengthen our member engagement and democratic process.

> Virtual Collaboration:

Pandemic or not, the work had to get done. The Microsoft Teams®, and Zoom® virtual meeting platforms allowed our staff and managers to collaborate while meeting social distancing requirements. As a bonus, many found extra time and productivity with reduced “windshield” time (commuting).

> Smart Communications:

Increased internet speed and bandwidth, as well as new mobile communications tools have streamlined many core processes like metering, equipment inspection and outage notifications. These functions are refined and updated and new functionality opens up as the technology continually improves.

> Payment Options:

Technology has made the pay experience more convenient, informative, and flexible. Members can pay in person, by mail, over the phone, or through their online or mobile SmartHub app. Now, members can buy power before using it, or pay at the cashier's desk when they are doing their shopping. Members can even anonymously make payments for other members. As the innovations accelerate, the options continue to grow.



CO-OP BEATS COVID

Annual Outreach 2019

In June, 2020 the in-person Annual Meeting was canceled. SMPA's Board President and CEO made a special video presentation to help keep members informed.



Annual Outreach 2020

In 2021, concerns about spreading infectious diseases were still dominant. The SMPA Annual Outreach video became a campaign of short videos to best meet members viewing habits.



Annual Outreach 2021

This year, the meeting is an online virtual event, which takes advantage of new communications tools of the Zoom® Conference platform and invites members to ask and answer questions, in real time, from the most convenient internet-connected location.





A Touchstone Energy® Cooperative 

San Miguel Power Association is an equal opportunity provider and employer.

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

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To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA

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.

