

SDCEA December 27, 2023 Board Meeting Summary

All Board members were present. Director Hellbusch attended over the phone.

Director Fiedler was elected to replace Dan Daly as Board Treasurer.

Public Comment:

Sandy Long asked three questions about Tri-State and SDCEA's relationship with them. Given the recent Tri-State Energy Resource Plan (ERP) and the recent FERC ruling about the contract termination payment amount for United Power to leave Tri-State:

1. What happens if a lot more co-ops leave Tri-State? Will our rates go up? If Tri-State were to declare bankruptcy, what would happen to SDCEA? Would we be liable for Tri-State's debts?
2. Should we go through the exercise of calculating the exit fee for SDCEA based on FERC's decision last week? What would it look like if we left Tri-State, what new relationships, capabilities, risks, etc. would there be? Sandy said she is not personally advocating for leaving Tri-State, but thought it would be prudent for the Board to understand this option and communicate to members.
3. How does the ERP and FERC ruling affect the ability of co-ops to do a partial contract exit from Tri-State or increase their percentage of self-generated power above 5%? Do we think Tri-State would work with us to let us increase the limit from 5% to 15%, for example? This would give us more flexibility to add battery storage and to lower peak demand costs.

Sue Greiner: At the October SDCEA board meeting, the board indicated a willingness to accept ideas from SDCEA members concerning the next CEO search. In that spirit, AVEF has reached out to other co-ops and groups around the state to collect their advice, and have received several suggestions of specific search firms besides NRECA that have been used successfully by other co-op boards recently. AVEF is also making a list of board members from other co-ops who have expressed interest in connecting with SDCEA board members to share information including lessons learned during their CEO searches, to pass on any leads they hear about potentially interested applicants, and to exchange ideas in general going forward. AVEF should have this information synthesized into a report to share with the board by the January SDCEA board meeting. Today, she just wanted to let the board know AVEF is working on that. Sue also asked the board to let AVEF know if there is any other research along these lines that they would be interested in having AVEF do.

Rich Shoemaker:

1. What is the status/schedule for the January "Coffee with the Co-op" event? This event would be a good way to solicit member input prior to the board's strategic planning workshop in February.
2. What is the status of the membership survey that SDCEA conducted earlier this year and when will the results be published and posted to the website?
3. Rich reminded the board of the community engagement sessions that AVEF held a year ago next month, which solicited a host of concerns and ideas from the members.

He suggested that board members review the report that resulted from this work prior to their strategic planning workshop in February. A link to the report can be found on the AVEF website – www.arkvalleyenergyfuture.org – under ‘Engagement’ on the homepage.

4. At the October board meeting, Rich proposed that AVEF have a focus meeting on Net Metering with SDCEA staff and whoever from the board would like to attend. AVEF is aware of the task force being assembled by the Colorado Energy Office to address the future of Net Metering, possibly during the 2025 legislative session. AVEF is working on preparing materials for a presentation to the board, hopefully in late January before their strategic planning workshop. AVEF hopes that this work together can lead to productive feedback for the state task force to consider.

5. Finally, Rich said he understands the need for the recent rate increase that was approved at last month’s meeting in light of inflation concerns, but is disappointed with the plan to increase the monthly service availability charge by 10% annually for the next 4 years. He expressed hope that this increase will be a stopgap measure and that work can be done with SDCEA’s consultant, PSE, in the coming year to design more progressive rate schedules that give members options to better control their electric bills.

Follow-up Actions from Prior Meetings:

Directors Sandra Attebery and Nick Hellbusch earned their credentialed director cooperative status.

Rate Schedule 13 – there is an error with the Wildfire Mitigation rider. The Bylaws state that SDCEA must give 30 days’ public notice before implementing rate changes. There wasn’t time to give that notice since the last meeting, when it was approved that the wildfire mitigation rider would remain at \$8 per month rather than going up to \$9, as previously approved. Therefore, the rider will need to go up to \$9 in January, but then in February (after 30 days’ notice has been given) it will drop back to \$8. Charlie Abel moved to approve this, and Jeff Fiedler seconded. The motion passed unanimously.

Mark Boyle (based on a member’s question) had asked staff to explain why the annual true-up for excess solar credits from residential solar members had to happen at the end of the calendar year instead of in April so that members could use more of their banked excess energy in the colder winter months. Mike Allen gave a detailed presentation on net metering to answer this question:

- The 2008 Colorado Net Metering Law requires an annual true-up for utility companies, but co-ops have the discretion to determine when the true-up occurs. SDCEA has chosen to do the true-up at year end to correspond with their fiscal year and more efficient book keeping.
- Since 2017, SDCEA has used Tri-State’s avoided cost of energy figure to base the true-up amount on.
- Tri-State’s avoided cost is about 4.5 cents/kWh, which includes the costs of their energy services program.
- (Nick Hellbusch stated that SDCEA should give members the full 4.5 cents/kWh at true up rather than giving them 1.6 cents (2023) or 2.4 cents (2024). Doing otherwise sends an inappropriate price signal.)
- Tri-State has paid SDCEA members \$137,000 worth of rebates so far in 2023.

- When SDCEA tried to unbundle rates in the last two attempts at rate restructures, they proposed separating out peak demand (kW) and an associated charge for that demand. Mike Allen wants to show members their peak energy demand on monthly bills; not charge them for that demand, but show it to them so they understand and think about how they might adjust their energy usage to reduce our peak demand costs.
- Mike said showing the peak energy demand would also illustrate how adding battery storage could reduce peak demand and associated charges.
- Typical monthly peak energy demand in the winter for SDCEA is about 28MW. SDCEA is a winter residential peaking electricity supplier, and lacks large 24/7 industrial customers compared to some other co-ops.
- Currently about 650 members have residential solar and net meter with the co-op.
- In 2022, SDCEA's year-end true up credits totaled \$23,288 for 976,858 kWh of energy credits.
- Shifting the true-up to April 1st would cost SDCEA about \$102,000 annually.
- Adding battery storage to residential net metering customers could help reduce SDCEA's peak demand energy cost paid to Tri-State if SDCEA could use some of that stored energy during peak hours.
- Batteries could lead to removing the current 10kW residential and 25kW commercial size limits on customers' self-generation PV systems.
- Tri-State's new on-bill program could allow consumers to purchase battery storage and make interest free payments over time.
- Mike Allen showed several graphics over the course of a year that illustrated the hours between when residential solar members generate electricity compared to their energy demand on SDCEA's system. It was suggested that it would be valuable to show similar graphs of the entire energy demand on the system rather than just net metered members in order to see the impact of solar on the whole system.
- SDCEA has received grant funds for Distributed Energy Resource Management Systems (DERMS) research.
- Next month, Tri-State's DERM manager will be here for discussions with SDCEA.

Incumbent board members must declare for the June 2024 election by 12/31/2023. Elections will be held next year for two seats: 1) the (At-Large) vacancy resulting from the passing of Director Daly; and 2) Director Abel's (Rural Chaffee/Lake County) seat. Director Abel has not indicated publicly whether he intends to run for re-election.

SDCEA Bylaws revision 12.27.23, Section 4. Change in Rates. 30 days' notice reinstated. Statute requirement is for energy rate changes but not policy changes. Will address policy changes in C-99. Approved changes to Section 4, as amended and motioned by Director Boyle and seconded by Director Fiedler. Avoided cost of energy for 2024 for year-end net metering true-up rate proposed at 2.403 cents/kWh (vs. 1.632 cents/kWh in 2023). Director Abel moved to approve, and Director Fiedler seconded. New rate approved unanimously.

Director Bennetts was appointed to replace Director Daly as SDCEA's representative on the Western United Electric Supply Corporation (Western). CEO Gary Kelly will be the alternate representative for Western for voting purposes.

Break for Lunch – Reconvened at 1:00 p.m.

Policy reviews: No 'A' or 'E' policies to review.

CFO Sarah Crites – Discussed changes to Policy C-99 Schedule of Fees and Charges. Noted that SDCEA is reducing the fee to join Trout Creek Solar program. Changes unanimously approved by board.

National Rural Telecommunications Cooperative (NRTC) Technology Roadmap – SDCEA seeks to show the value of a Smart Grid network through development of a 10- year Smart Grid Tech Roadmap and Plan. Smart Grid Functions include: Metering – Reliability/Outage Management – Load Management – Power Quality – DER Integration – Communications.

SDCEA is starting to string fiber optic; have certain amount in 2024 budget.

This is a prelude of Tri-State's new Distributed Energy Resource Management System (DERMS) program. By utilizing Tri-State's DERMS program SDCEA will save money. One major benefit to members would be the ability for SDCEA to install and use residential battery storage to offset peak power demands and the associate high cost.

Board of Directors Strategic Planning Workshop – Feb 8th all day and ½ day on Feb 9th at Mt. Princeton Resort. Questionnaire was provided to board members by company doing strategic planning. It's due back tomorrow, 12/28. Facilitator for workshop is an engineer and former CEO of co-op.

Carlin Walsh, CEO of Aristata Communication, gave a presentation on: 1) the November service outage; 2) a summary of 2023 operations; and 3) plans for 2024 improvements and expansion.

November outage: Routine maintenance discovered network configurations from previous ownership that were not compatible with network upgrades. Initially thought it was a hardware matter, then discovered it probably wasn't. Explored malicious attack possibility, but determined not to be. They have changed software configurations and have stabilized the network. Many lessons learned from outage. Do not have communications with most remote customers (using voice over protocol). Don't know what phone #s can receive text messages. Excellent collaboration with local emergency responders. Can't have too much communications. Reviewed and updated emergency communications plan.

2023: A lot of design and engineering; pole attachments with SDCEA. Dedicated network node to the Meadows. Expansion of The Farm to serve all with Fiber. Expanded fiber into the Crossroads in Poncha and other areas.

2024: Marquette Ave development near BV high school. Tie in with Trout Creek solar. Johnson Village- CPF (Capital Projects Fund) grant funding- build off TCS fiber run. Trails West – getting fiber up to that tower. Crossman – small builds to bring redundancy to tower in BV. Cleora – need information from developer; coordinate with SDCEA on service there. Working with Black Hills Energy on Custer Co/Westcliffe build out has been challenging.

CPF Grant – Application submitted to state in August; sitting at Governor’s office. Broadband office will be announcing awards next week. Expecting favorable result. Proposed - BV to Nathrop run will help with gaining 1300 additional passings (basically connections). This will be about a \$7 million program.

Directors’ Roundtable:

Director Boyle: NRECA conference was great. Attended geothermal community meeting at BV Community Center. Has had EV dialogue with Paul Rausche; told him SDCEA EV chargers are operating at cost. Xcel helping customers install EV chargers and put people on time-of-use rate and Xcel can control them to manage peak demands. Mark suggested formation of an SDCEA focus group on EVs to educate board, staff and members. No action by board on this. Some suggestions of having AVEF spearhead member participation and have Mike Allen present.

Director Fiedler: Appreciate support for going to NRECA courses and conferences. State legislation issues; improving electric grid under greenhouse gas roadmap plan. Fiedler attended workshop at state on this as a Lake County Commissioner (full disclosure). State’s GHG committee tends to be more investor-owned utility (IOU) focused and he brings input on rural co-ops distribution grid and issues. Attorney Martin comment – Colo Energy Office (CEO) has always tried to lump utilities into one and often neglects rural coops. CREA tries to balance it out. CEO did reach out to some co-ops for input on greenhouse gas roadmap, Mike Allen provided input, but public comment period has closed.

Director Attebery: CREA workshop. Kim Coleman; updating clean energy plan and will be sent to co-ops. Excellent first day workshop on harassment and discrimination in workplace by attorney (brought in by Tri-State).

Director Hellbusch: Nothing to report.

Director Abel: Thanked staff for being invited to Christmas party. Will report on Tri-State later.

Director Bennetts: Nothing to report.

Tri-State Report by Director Abel: Tri-State Board meeting was in December. Phase 1 of ERP has been submitted to Colorado PUC. It contains a high-level presentation of five different scenarios created by Tri-State staff. Phase 2, at a later date, will involve the actual submission of request for proposals for specific generation options. Anticipating late May for completion of ERP Phase 1 review by PUC. Preferred scenario, called Inflation Reduction Act plan, involves getting money from the New ERA program (part of the IRA). Dollar amount of the Tri-State submission was 10 figures but will probably only get 9 figures (hundreds of millions of dollars). The program was oversubscribed 2.5 times to what was allocated by the Federal government, so a reduction in the amount requested is anticipated.

Specifics to ERP include 700 MW of wind, 300 MW of storage, 300 MW in combined cycle gas plant and 250 MW solar. Also, retirement of Craig Unit 3 coal plant by January 1, 2028 and

potential Springville Unit 3 closure about 15 years ahead of original schedule. Expensive but least cost scenario. The proposed plan exceeds targets for greenhouse gas emissions reductions.

Recent FERC ruling on United Power exit from Tri-State – Called contract termination payment (CTP) – not a penalty – and FERC uses what is known as an adopted balance sheet approach (BSA). Tri-State staff is reviewing the ruling. The debt covenant obligation method is what Tri-State was initially advocating for. If this method is used, the cost for United Power’s exit was \$736 million. The BSA method (under FERC ruling) may exceed that number. United has a big hill to climb. Tri-State may not need the resources that they thought they needed with demand reduction of about 20% from United leaving. Director Abel thinks that Tri-State will be fine under the FERC ruling with United Power’s exit.

SDCEA will know our buyout number from Tri-State every year, and it’s a big number. Regarding partial exits, the Tri-State board is required to review their wholesale electric contract every five years. They stand up a contract committee to do this, and discussions on changing the amount of energy a co-op can self-supply are held. Tri-State is open to looking at what it would mean to let co-ops self-supply up to 10 or 15% of their energy needs.

A “true” partial exit would be more like 30-40%+ of load. The hurdle for most co-ops, including ours, is finding the upfront dollars to buy down the partial exit. Tri-State continues to work on partial requirements arrangements. Director Abel said he is comfortable with decisions made up to this point. He believes Tri-State is participating at a high, front-facing level, but things can’t happen as quick as some people would like them to. Also, he commented that utilities can’t bear all of the load regarding GHG emission reductions. He noted that even with all coal plants in Colorado eliminated, the state still would not be able to meet GHG goals because of transportation sector GHG contribution.

In early 2025 Tri-State will be in the Southwest Power Pool. Nebraska coops are already in the SPP. We are in “Markets Plus” right now in SPP, but not fully in yet. This will give Tri-State more flexibility on buying and selling power on the open market.

Adams County United Power settlement – Tri-State agreed to sell United Power energy if United dropped the lawsuit and agrees to let FERC decide contract termination payment. Tri-State doesn’t want to do future business with people who sue them.

Attorney Martin Report: La Plata Electric Association (LPEA) lawsuit against Tri-State. Filed November 10, 2023. Attorney Martin thinks that LPEA has a weak case if they fall back on the reasoning of breach of contract and not acting in good faith. (United Power spent \$20M on legal fees.) Tri-State has until January 10, 2024 to answer. Tri-State ERP submission to Colorado PUC – there have been a few co-ops who have intervened, support by Poudre Valley, but maybe just to get a seat at the table because they appear to have no real objections. Martin’s hourly rate for SDCEA is increasing for 2024.

CEO Kelly Report: Hired HR Partners out of Kansas City to assist with HR functions during transition period because of the departure of Sarah McMahon (former SDCEA Chief

Administrative Officer). Signed agreement with Survey & Ballot System (SBS) to manage elections (same firm as previous years).

Grant updates: GRIP (Grid Resilience and Innovations Partnerships) funding. Waiting to hear on several opportunities out there.

Community Engagement Plans include: 1) BV Optimist Club on Jan 11; 2) Chaffee Co Patriots on Jan 12; 3) Coffee w/Coop on Jan 18 at 7:00 a.m. in SDCEA's Community Room; and 4) Envision Healthy Forest Council (Lake & Chaffee Counties) on Jan 31.

Also planning an evening meeting (5:00 pm) in Howard at Howard Hall on Feb 15 with dinner. Being called Taco-bout your co-op.

\$5200 given in first responder grants – Tallahassee Fire Prot District; Custer Co Sheriff's Office, Canon City Police Dept, Fremont Co Sheriff's office, Chaffee County Search & Rescue North, Howard Volunteer Fire Dept.

CEO Kelly asked the board to think about what it would like to see in 2024 as far as Board Reports.

CFO (Chief Financial Officer) Sarah Crites Report: 2023 revenues are 3.4% over budget; kWh sales 2.92% higher than 2022.

Expenses are within 1% of budget. Margins are considerably over budget because of: 1) higher sales without higher expenses; 2) Denver condo sale; and 3) interest earned on investments has been higher than budgeted.

Meeting all debt covenants YTD. YTD new services connected through Nov 2023 is 213, these have slowed down.

Cash flow analysis: Will likely draw on USDA's Rural Utility Service loan sometime in first quarter of 2024, which is typical.

Tri-State patronage capital credits refund for 2023 will be \$123,974.

Tri-State paid \$137,558.48 in energy rebates.

SDCEA has two new customer service hires.

Reviewing and analyzing open work orders; closing and cancelling when needed.

COO (Chief Operations Officer) Report by Gary Kelly:

Zero lost time and zero OSHA recordable accidents at SDCEA.

Training and Safety Meetings summary.

Reporting tool software "Site Docs" going live in January.

No major outages.

New business has slowed but still steady.

Wildfire mitigation/tree cutting is about 45% complete. \$9 million budgeted with \$4.864 million spent and \$4.136 million remaining.

Future meetings: January 24th
 February 26th
 March 27th
 April 30th
 May 30th
 June 11th annual meeting in Custer County.