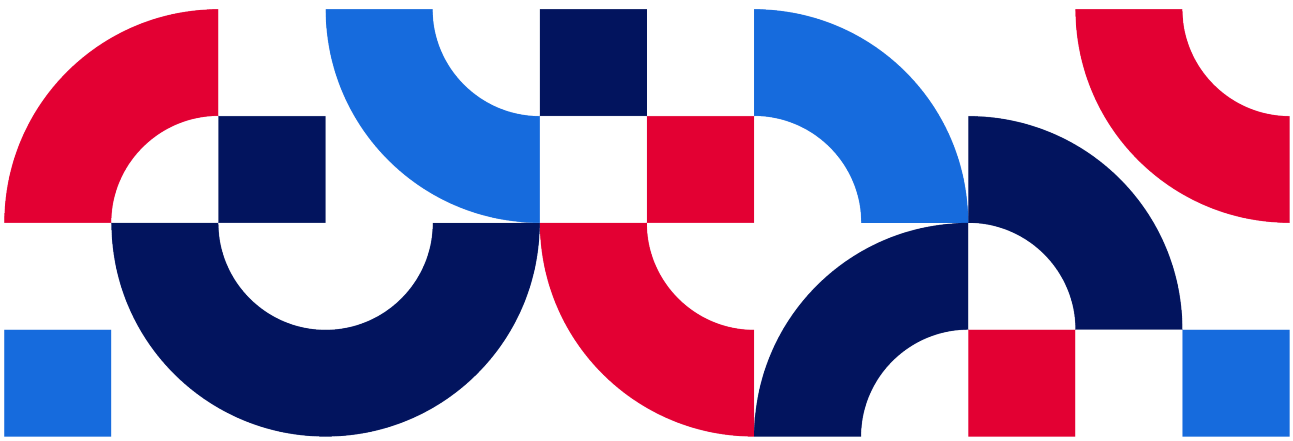
Hometown Connections

SLVREC Stakeholder Engagement

Final Report

Prepared by Hometown Connections, Inc.

Date 03/15/2021



Hometown Connections

Contents

Section I: Background

Stakeholder Engagement Summary

Hometown Connections, Inc. (HCI), is a national, non-profit utility services organization specializing in the unique challenges facing community-owned utilities. HCI was commissioned by SLVREC to facilitate stakeholder engagement sessions based on a Settlement Agreement entered into by SLVREC, Individual Complainants, and the Town of Crestone, Colorado, effective October 30, 2019. In summary, the Agreement stated that SLVREC would:

1. Receive input from members regarding SLVREC's rate design
2. Input would be solicited in the year 2020
3. The engagement shall consist of meetings involving members, including a member of the Town of Crestone and at least one representative from complainants

Additional considerations outlined in the Agreement:

1. Whether demand charges or other rates considered for the replacement rate create intra-class subsidies, including from smaller users to large users
2. Whether commercial and residential customers should remain in the same rate class or be separated into distinct rate classes
3. The extent to which existing subsidies provided from residential classes and to irrigation classes should be eliminated
4. There shall be one interim report and one final report

After initial discussions between SLVREC and HCI, it was determined the best approach would be to (1) facilitate a residential member stakeholder engagement by the way of a Member Focus Group, engaging 8-12 participants, representing all SLVREC service areas, in a series consisting of three meetings, to allow for appropriate rate education, robust discussion and member input, (2) facilitate an agriculture member stakeholder engagement by the way of a Member Focus Group, engaging 8-12 participants, representing all SLVREC service areas, in a series consisting of three meetings, to allow for appropriate rate education, robust discussion and member input, (3) Conduct a Member Engagement (Market Research) survey across the SLVREC territory to gather insight into member satisfaction and identify improvement opportunities.

Due to the Covid-19 pandemic in 2020, schedule adjustments were made to these efforts to ensure sufficient progress was made to meet the Settlement Agreement requirements to every degree possible. The revised approach includes:

1. Conducting the Member Engagement (Market Research) survey first, instead of last.
2. Facilitating Residential Member (Stakeholder) Focus Group (RMFG).
3. Facilitating an Agriculture Member (Stakeholder) Focus Group (AMFG) last.

Hometown Connections

Section II. Revised Stakeholder Engagement Approach

1. Member Engagement (Market Research) Survey

The survey was completed by HCI's vendor partner, GreatBlue Research. GreatBlue Research is a full-service market research company, offering both quantitative and qualitative services. GreatBlue's research methodologies for the survey initiative are outlined in ***Exhibit A*** of this report. The survey was conducted between June 15th and July 22nd, 2020. The results of the survey are available on SLVREC's website. In addition to the survey, GreatBlue Research recruited the participants for the residential member focus group between August 25th and September 17th, 2020. A recruitment screener was used to make certain each respondent was qualified to participate, while also ensuring a diverse demographic and participants represented all areas of SLVREC's service territory. The methodology, along with the recruitment screener, is located in ***Exhibit B.***

2. Residential Member (Stakeholder) Focus Group

15 participants were recruited by GreatBlue Research to participate in the Member Focus Group. Three of the participants Complainants from the town of Crestone, and all participants were representative of the entire SLVREC service area. Due to the Covid-19 pandemic, all meetings were conducted virtually:

1. Meeting One – September 23, 2020

Objectives:

a. Introduction and education about electric industry and rate making
b. Discussion about customer service, communication, and rates

On, October 21, 2020, prior to Meeting Two, a ***Member Questions_Comments*** document containing questions by members and answers from SLVREC, along with rate input from members, was sent to participants for review.

2. Meeting Two – October 21, 2020

Objectives:

a. Review of previous questions and SLVREC responses
b. Discussion about customer service, communication, and rates

After this meeting, participants were given an additional five days to review the ***Member Questions_Comments*** document and provide additional input or ask clarifying questions.

HCI drafted an interim report, provided to participants for review by November 12, 2020. The third meeting was spent obtaining feedback on the interim report from participants. Outcomes of member questions include SLVREC promising to conduct a virtual meeting to review the last Cost of Service Study with participants and any

other SLVREC members who would like to participate. SLVREC is also actively addressing other feedback provided by participants (see ***Section III*** *and* ***Exhibit C*** for details).

3. Meeting Three – November 18, 2020

Based on feedback from Meeting Two, SLVREC arranged for the most recent Cost of Service Study to be reviewed with the participants of the Residential Member Focus Group on November 17, 2020 via Zoom by Larry Feltner, the consultant who conducted the study. This meeting was held from 5pm – 6:30pm MST.

Objectives:

a. Discuss draft Interim Report
b. Ensure input about rates from participants is represented appropriately

All member questions, rate input and SLVREC responses are included in ***Section III.*** This was made available through SLVREC's website to all members.
To ensure all SLVREC members are provided with the opportunity to see the Cost-of-Service Study, the recorded virtual presentation is also available on the website.

3. Agriculture/Commercial Member (Stakeholder) Focus Group

The Agriculture/Commercial Member Focus Group was recruited using the same methodology as applied to the recruitment of the Residential Member Focus Group *(See Exhibits)*. The objective was to recruit 8-10 participants to participate in three sessions. Recruiting for these sessions was initiated in December of 2020. At conclusion of recruitment there were 10 participants representing the majority of SLVREC's service territory. Due to unforeseen, personal circumstances, three participants withdrew from the sessions, leaving final number of participants at seven (7).

1. Meeting One – January 27, 2021

Objectives:

a. Introduction and education about electric industry and rate making
b. Discussion about customer service, communication, and rates

After Meeting One, questions and comments from members were combined and responded to, as necessary, by SLVREC.

2. Meeting Two – February 10, 2021

Prior to Meeting Two, responses to questions and comments were sent to the participants, along with Residential member questions and comments obtained from the Residential Member Focus Group.

Objectives:

a. Review questions and check for understanding
b. Further discussion around rate and energy education, solar, and member communication

3. Meeting Three – February 24, 2021

Final report was drafted for review by the participants.

Objectives:

a. Further discussion around key topics
b. Review report for discrepancies
c. Obtain additional feedback and/or questions

All comments and questions from these participants were recorded in ***Section IV*** and ***Exhibit D*** of this report.

Section III. Residential Member (Stakeholder) Focus Group Input

This feedback and input was solicited from the RMFG participants and was obtained verbally or through email. It has been provided to SLVREC to take into consideration as it moves forward with making rate decisions.

1. Demand rates on domestic electric consumers are unacceptable. I have experience in large industrial electric use and demand is quite acceptable in that area. Even in that setting I have seen it utilized in a manner that does not encourage conservation. In a domestic environment, consumers do not know when their water heater is running. Electric heat is another use that we have little control over. Because of this, and the lack of knowledge of what is running in the household, I would find it hard to believe that the average user has the tenacity to monitor their usage long term. This demand rate could easily be changed to a different more equitable means of revenue capture for the utility.

2. We are members of a coop. Members of the elected board are sitting on the board and represent all of us. This does not seem to be the case as long as the board gives preferential treatment to classes that benefit them personally or family members.

3. Anything greater than an exceedingly small demand charge is highly inappropriate for residential applications. SLVREC has never demonstrated that including a demand charge is a fair or a reasonable way to capture system costs from residential ratepayers. High demand charges create unreasonable and arbitrary bill spikes, and they do not efficiently direct residential consumer behavior. This is because demand charges are based on the customer's highest 15 minutes of usage regardless of whether the cost of actually providing electricity in that period was particularly high. For example, someone may one day run 5 appliances at 2am, but have exceptionally low electricity use the rest of the month. That customer would be stuck with a very high electricity bill, even though the grid probably had plenty of excess capacity that night at 2am and it really didn't cost the utility any more than it would have had the customer had its normal low usage at that time.

4. Likewise, residential ratepayers also generally do not have access to the types of real-time information to understand or change their demand. Demand charges, if structured appropriately, may be reasonable and appropriate for commercial or industrial applications that are more likely to have access to the necessary information and equipment to understand or affect demand. Demand charges on residential uses also has the effect if discouraging solar adoption, which goes against state policy.

5. SLVREC must commit to reducing the subsidies between classes. No matter how the rate is currently structured within the residential class, SLVREC has admitted that it continues to have subsidies between classes, and residential customers and some other groups have been paying more than their fair share for years. So as to avoid rate shock to other customer classes, the subsidies probably cannot go away

overnight, but SLVREC needs to commit to a concrete timeline to reduce the subsidies down to zero over time.

6. The 15-minute timeslot measurement that then sets a cost.... they should expand that timeframe to a week.... that will give better measurement of actual use.

7. The old peak/off peak rates seemed to push customer use and bill for actual use better than anything. It was simple... not create complex methods of billing. Yes... the fixed costs are necessary.... but from there bill for actual use either prime or off peak, and let the customer adjust their use patterns to whatever they can afford. Yes, the meters will collect data every 15 minutes, but that does not mean they have to use that info specifically to bill from.

8. As a cooperative, the organization should reflect the values of its members. In general, the clients are for energy conservation and renewables (at least I think so) and moving in directions that will reduce (if only very slightly!) global warming. The service area of the coop is in one of the poorest areas of the state and, perhaps, the west. The rate structure now disproportionately affects these poor people. They generally use little electricity, primarily for lighting and operating a TV and computer. They heat and cook with propane and/or wood. Now, before using a KWh of electricity, they start with a bill of $40. It might be better for them if we increase the per KWh costs of electricity and reduce the delivery cost.

9. Since the demand rate is so tricky for homeowners to navigate, I for one would appreciate just paying for the energy that I use, as we used to do.

10. No higher demand charge rates

11. Transparency in rate studies

12. For year-round residents who are super conservative with their electric usage, a yearly credit or 'break' should be given to them. Per month I use only about $10 worth of electric, but I'm billed for $50 because of the 'base' fee to have service. Even some sort of gift card would make a big difference.

13. Identify low-income members and give them a lower Customer Charge such as $20. They could be identified by low usage (say < 500 kWh per month or lower) and/or chosen by personal request. Seasonal customers should be not eligible. I suspect there are quite a few customers that fall into this category and they are forced to choose between paying for electricity and paying for rent. Another aspect of this situation could be viewed as a social responsibility which also came up in the discussions. I see the Coop as more than a pure business operation.

14. Schedule A2 doesn't offer much of an incentive to use off peak hours. In Sch A1 the cost is .09/kwh. In A2 the cost for off peak is .07/kwh, with a big penalty to .156/kwh on peak. So, the A2 plan is more of a stick than a carrot. There should be a much better incentive to use off peak hours. There must be much better visibility into the demand charge 15 min interval which sets our monthly charge. At this point apparently a customer must call customer service at SLVREC to get access to the secret decoder ring which will grant access to the 15 min data, in 6-hour increments. It is up to the customer to find the one 15 min interval which was the highest, during peak hours, which was used to set the rate. That is, of course, if the customer is aware of the secret decoder ring's existence. And then search a month's worth of data. SLVREC obviously has the relevant data and could easily make this visible to us.

Section IV. Agriculture/ Commercial Member (Stakeholder) Focus Group Input

This feedback and input was solicited from the ACFG participants and was obtained verbally or through email. It has been provided to SLVREC to take into consideration as it moves forward with making rate decisions.

1. REC should have energy efficiency employees to help members understand how to save.

2. Suggest using marketing interns from ASU to help with communication of new rates (for ideas and to review to see if in understandable terms). Translate communication to Spanish.

3. Timeliness of changes is very important; farmers, especially, need more notice of changes so they can plan ahead.

4. Unless dollar amounts are included, most people will not pay attention to communication information. Suggest sending examples to each member about how their specific bill is going to change with the new rate months prior to rate change. They will likely pay more attention.

5. Need better education for members to manage demand and help them understand rates. This could be done in multiple ways.

    i. Include catchier phrases in email subject lines to get people to open them when sending educational information.
    ii. Ensure internal training on changes and how bills/consumption will be impacted.
    iii. Offer online, interactive facilitated meetings to explain rate changes and allow people to ask questions, especially for ag/farmers.
    iv. Illustrate in dollar amounts how rate increases affect each rate class.
    v. Provide videos for every cost-of-service study so people can watch it.
    vi. Could use interns to educate customers on energy efficiency and rates.

6. If making a change to rates, it would be helpful to have example rate impacts (modeling) for every customer class. One example is how rates were plotted in the Cost-of-Service study. Customers may understand this better.

Section IV. EXHIBITS

Exhibit A - Summary of Research Methodologies

October 1, 2020

Quantitative — Telephone / Digital Surveys

GreatBlue Research was commissioned by the San Luis Valley Rural Electric Cooperative to conduct a market research study to gain insight into the satisfaction levels of its customers. The primary goals for this research study were to assess satisfaction levels of SLVREC's customers and highlight attitudes and awareness regarding various electric utility-related characteristics.

In order to service these research goals, GreatBlue employed a quantitative research methodology to capture the opinions of customers. All respondents were qualified as a current head of household, eighteen years of age or older, and currently a customer of San Luis Valley Rural Electric Cooperative. An overview of this research methodology can be found below for reference.

GreatBlue conducted:
665 completed surveys among residential customers based on the total sample population (approximately 7,100 records).

- Telephone Fielding: 302 completed surveys — natural demographic fall-out of customers
- Online Fielding: 363 completed surveys — natural demographic fall-out of customers

The total number of 665 completed surveys were conducted between June 15th - July 22nd, 2020 and provided a margin of error of +/-3.62% at a 95% confidence level.

Additionally, GreatBlue conducted:
105 completed telephone surveys among commercial & irrigation/agriculture customers based on the total population (approximately 1,190).

- Telephone Fielding: 80 completed surveys — natural demographic fall-out of customers
- Online Fielding: 25 completed surveys — natural demographic fall-out of customers

The total number of 105 completed surveys were conducted between June 15th - July 22nd, 2020 and provided a margin of error of +/-9.10% at a 95% confidence level.

Qualitative — Focus Group Recruitment

GreatBlue Research was commissioned by the San Luis Valley Rural Electric Cooperative to conduct focus group recruitment for a qualitative study consisting of three ninety-minute focus group sessions to be moderated by Hometown Connections on September 23rd, 2020, October 21st, 2020 and November 18th, 2020. GreatBlue's recruitment efforts were conducted between August 25 - September 17th, 2020 and are detailed below.

Summary of Recruitment Efforts:
GreatBlue utilized a list of customer email addresses provided by SLVREC in order to recruit fifteen qualified participants. The recruitment process ensured participants were not only accurately representative of SLVREC's customer base, but a reliable source for completing the session.

- GreatBlue's process for focus group recruitment included a random recruitment of customers across the entire service territory. In order to recruit a random sampling, GreatBlue deployed email invitations to approximately 3,000 randomly selected SLVREC members.

- A recruitment screener was utilized to ensure each respondent was qualified to participate and is included for reference in Exhibit B. During recruitment, soft quotas were in place to ensure a mix of respondents were recruited (i.e. age, race/ethnicity, educational status, household income, and place of residence) in order to ensure one demographic was not overly represented more than others.

- Interested respondents were required to complete a brief contact form. GreatBlue then randomly called each respondent to go through the focus group screener for qualification.

- During this call, GreatBlue asked the questions posed in the screener, determined if each individual was articulate with their responses, then ensured each participant had full access to the Zoom conferencing software. This process was to ensure that the individual would be able to provide detailed feedback and express their opinions. If the participant qualified, and was interested, they were provided with the focus group details.

- On September 18th, 2020, three business days prior to the first focus group, a GreatBlue representative called each participant to confirm participation.

- Hometown Connections then sent a final confirmation email to each participant, which included Zoom login credentials for the first session to be held September 23rd, 2020.

Exhibit B - Participant Screener

San Luis Valley Rate Structure Focus Group Screener

[INTRODUCTION]
Hello, may I speak with _____?
My name is _____, and I'm calling from GreatBlue Research, Inc., a professional market research firm. We are conducting a focus group research study among customers of the San Luis Valley Electric Cooperative like yourself to ask your opinions about the utility's electric rate structure as well as opportunities for improvement. If you agree to take part in our study, and qualify, you will receive $150 for attending three (3), 90 minute focus group discussions. Would you like to see if you qualify?

Ask to all:
When market research studies are conducted, it is sometimes important for us to talk with individuals who have already participated in a prior research study because they have experience talking about certain topics. Other times it is important that we talk with individuals who have never participated in a market research study.

When was the last time, if ever, you participated in a market research discussion or one-on-one in-depth interview at a research facility?

Less than 6 months	( ) ➡ Thank and terminate
6 months to less than 1 year	( ) ➡ Thank and terminate
1 to less than 2 years	( ) ➡ Continue
2 to less than 5 years	( ) ➡ Continue
5 or more years	( ) ➡ Continue
Never	( ) ➡ Continue

Are you currently a customer of the San Luis Valley Electric Cooperative?

Yes	( ) ➡ Continue
No	( ) ➡ Thank and terminate

Would you consider yourself a primary decision-maker when it comes to your electric bill?

Yes	( ) ➡ Continue
No	( ) ➡ Thank and terminate

In the group, we are looking for a mix of customers who have had positive or negative experiences with the San Luis Valley Electric Cooperative in the past. How satisfied would you say you are with the service provided by the electric utility?

Very satisfied	( ) ➡ Continue
Somewhat satisfied	( ) ➡ Continue
Somewhat dissatisfied	( ) ➡ Continue
Very dissatisfied	( ) ➡ Continue

[RECRUITER NOTE, SEEK TO RECRUIT A MIX FROM EACH AREA]

How do you typically pay your electrical bill?

Mail	( ) ➡ Continue
Auto Pay (checking or savings withdrawal)	( ) ➡ Continue
Online bill pay through TID	( ) ➡ Continue
Telephone	( ) ➡ Continue
Drop box	( ) ➡ Continue
San Luis Valley Electric Cooperative offices	( ) ➡ Continue

[RECRUITER NOTE, SEEK TO RECRUIT A MIX FROM EACH AREA]

What category best describes your age:

Under 25	( ) ➡ Continue
25 to 34	( ) ➡ Continue
35 to 44	( ) ➡ Continue
45 to 54	( ) ➡ Continue
55 to 64	( ) ➡ Continue
65 or older	( ) ➡ Continue

[RECRUITER NOTE, SEEK TO RECRUIT A MIX FROM EACH AREA]

What is your gender?

Male	( ) ➡ Continue
Female	( ) ➡ Continue

[RECRUITER NOTE, SEEK TO RECRUIT A MIX FROM EACH AREA]

Please tell me the category that represents your household's total income before taxes.

Under $10,000	( ) ➡ Continue
$10,000 to less than $25,000	( ) ➡ Continue
$25,000 to less than $35,000	( ) ➡ Continue
$35,000 to less than $50,000	( ) ➡ Continue
$50,000 to less than $75,000	( ) ➡ Continue
$75,000 to less than $85,000	( ) ➡ Continue
$85,000 to less than $100,000	( ) ➡ Continue
$100,000 or more	( ) ➡ Continue

[RECRUITER NOTE, SEEK TO RECRUIT A MIX FROM EACH AREA]

What is the last year of education you completed?

8th grade or less	( ) ➡ Continue
Some high school, but did not graduate	( ) ➡ Continue
High school graduate or GED	( ) ➡ Continue
Some college or 2-year degree	( ) ➡ Continue
4-year college graduate	( ) ➡ Continue
More than 4-year college graduate	( ) ➡ Continue

[RECRUITER NOTE, SEEK TO RECRUIT A MIX FROM EACH AREA]

Please tell me your current employment status.

Working full-time	( ) ➡ Continue
Working part-time	( ) ➡ Continue
Student	( ) ➡ Continue
Retired	( ) ➡ Continue
Unemployed	( ) ➡ Continue

[RECRUITER NOTE, SEEK TO RECRUIT A MIX FROM EACH AREA]

Please tell me the county you currently reside in?

County: _____ ( ) ➡ Continue

[RECRUITER NOTE, SEEK TO RECRUIT A MIX FROM EACH AREA]

Would you prefer the focus groups were held in-person or through a video platform?

In-person	( ) ➡ Continue
Video platform	( ) ➡ Continue

Do you have access to a computer that can play audio and has a microphone?

Yes	( ) ➡ Continue
No	( ) ➡ Thank and terminate

Do you have a quiet area where you can sit and participate in the focus group for 90 minutes?

Yes	( ) ➡ Continue
No	( ) ➡ Thank and terminate

Are you familiar with the video conferencing service Zoom and able to download and use the application for the focus group?

Yes	( ) ➡ Continue
No	( ) ➡ Thank and terminate

IF ELIGIBLE TO PARTICIPATE:
Based on your answers, you are indeed qualified to participate in the market research study that we're conducting. As I mentioned before, this research involves three separate dates.

- The groups will be held on Wednesday (9/23), Wednesday (10/21), and Wednesday (11/18) at 6:00pm MT.

The focus group will be a small group interview with just 8-10 selected residents from the area. There's nothing to prepare or bring except for your own opinions. Most people find these focus groups to be interesting and fun – I'm sure you'll enjoy it. Rest assured, no one will attempt to sell you anything at all -- in fact, you will be paid $150 for your time.

Would you be willing to participate in our focus group interviews?
(CHECK SCHEDULE FOR QUOTAS AND AVAILABILITY)

YES ⟶ RECORD RESPONDENT INFORMATION AND SKIP NEXT QUESTION
NO ⟶ CONTINUE

Dependent on the situation with the COVID-19 pandemic, the second and third groups may be held in-person and would be located in Alamosa, CO, or virtually, like group one. Would you be willing to participate in either type of situation?

YES ⟶ RECORD RESPONDENT INFORMATION AND SKIP NEXT QUESTION
NO ⟶ CONTINUE

Could you please indicate if either of the following reasons
INCENTIVE TOO LOW ⟶ CONTINUE
HEALTH AND SAFETY CONCERNS AS A RESULT of THE CORONAVIRUS ⟶ CONTINUE
THE CURRENT DATES DON'T WORK ⟶ CONTINUE
OTHER: _____ ⟶ CONTINUE
REFUSED ⟶ CONTINUE

ARRIVAL TIME: (READ) Please plan on arriving about 15 minutes before your scheduled interview time of 6:00pm

READ: We will send you directions and confirmation of these arrangements via e-mail and we will also call to remind you about your participation several days before your scheduled interview.

So that we can send you the directions and confirmation, please provide me with your contact information. May I have your…

NAME:_____

ADDRESS:_____

CITY/TOWN: _____ ZIP CODE: _____

HOME PHONE: _____

WORK PHONE: _____

CELL PHONE: _____

E-MAIL ADDRESS: _____

Thank you very much Mr./Ms. _____! We'll send you a confirmation in the coming days. If any questions or problems come up in the meantime, please call our office at 860-740-4000.

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EXHIBIT C – RESIDENTIAL MEMBER QUESTIONS AND SLVREC RESPONSES

I. Rates

a. Why are SLVREC's rates so much higher than Xcel's rates?

There are two significant factors that result in REC's costs being higher than Xcel's costs. Xcel has 20 customers per mile of line and REC has 5 which means REC has 4 times the electric distribution infrastructure per member compared to Xcel. In addition, REC purchases its wholesale power from Tri-State which serves in four states, Colorado, Wyoming, New Mexico, and Nebraska. The Tri-State's electric transmission system is substantially larger than Xcel's which results in high transmission costs.

b. Shouldn't line maintenance be covered in the Customer Charge portion of our bill?

The customer charge covers the costs of billing, meter reading, customer service representatives, office space and other related costs. Maintenance of the actual electric distribution system is a separate fixed cost and appropriately accounted for in a separate fixed charge (demand).

c. Will we be able to see results of cost-of-service studies?

The cost-of-service study itself is a proprietary document. REC hires an outside firm that specializes in rate studies due to the complexity of this process. The results were shared with the complainants and other members upon request. REC is working on scheduling a meeting for members to review the results of the cost-of-service study. This will more than likely be an online meeting that will allow time for questions at the end of the presentation. We will have this scheduled by the end of 2020.

d. Has all subsidization been addressed? If not, what has been corrected so far and what else has to be done?

The 2018 cost of service study, for the first time, used actual load data for every meter on REC's system. The rate implemented in April of 2019 made a substantial correction in subsidies between rate classes and within individual rate classes. The Interim Rate for Rate A and Rate A-TOD unfortunately reversed the subsidies between members within Rate A and Rate A-TOD. Rate A does include small, single phase, commercial accounts which will be separated in the future, likely at the next cost of service study to be conducted in 2021.

e. Why are the rates so high?

The San Luis Valley has not seen any substantial growth in residential residents in many years. In addition, ranching and farming have seen reductions due to water restrictions. The infrastructure maintained by REC has not seen proportionate reductions; this has contributed to rates remaining high. Note, REC has not had an increase in rates since 2016 on Schedule A but there was a Tri-State pass thru rate increase in 2017. 2016's A-TOD rate increase was broken out over three years 2016, 2017 and 2018.

f. Why do you have to have an ETS(?) unit to have a time of use rate?

The requirement that home heating be electric was eliminated with the implementation of the April 2019 Time of Day Rate.

g. What about battery storage? Would that help with rates? (this was referred to this as a substation)

Batteries are still an expensive proposition on a utility scale. For an individual homeowner with high electric demand, a solar system with associated battery storage to offset demand can be effective, depending on a member's electric usage patterns.

h. Can definitions of the charges be included in the bill? Using the word "demand" for distribution, purchased power and then by itself as a separate charge is confusing.

We will work with the bill print provider to include definitions of the charges in the back side of the monthly bill.

i. Why wasn't the letter about the new rate sent to everyone?

The A2-TOD rate was designed to provide some relief to members on the A TOD rate who were quite negatively impacted by the Interim Rate of the Settlement Agreement. In addition, the billing data for members on Rate A does not easily permit evaluating time of day options.

j. Does SmartHub have the ability to let people opt into communication notifications, such as receiving messages about rate changes, etc.?

Messages regarding billing, payments and other customer service notifications are currently being posted through SmartHub. Future rate changes will also be posted through SmartHub in addition to all the current communication avenues of the local newspaper, radio, social media, and the monthly REC newsletter (Newsboy).

k. How can we know for sure that agriculture is no longer subsidized by residential members? Is there a way to see this information?

Online video presentations of the 2018 REC cost of service study are being prepared to explain in detail how a cost-of-service study is performed and the actual results of the 2018 cost of service study. While this does not permit questions when viewing, it makes the study available to all members. If members have specific questions, an in-person meeting can be arranged.

l. Can low-income members be charged less of a fixed cost (customer charge) and pay more in KWh?

Low-income members are not often low electric users. While this option might help a few members, it will not help many low-income members.

m. Will SLVREC make information available to ALL residential customers the different rates that are, or will be, available to them and the reasons for each class in Schedule A, with more clarity than just the numbers?

This information is available on the web site and often presented in the monthly Newsboy.

n. When does it make sense to use Schedule A1 or A2?

The A-TOD and A2-TOD rates give members the option to select between these two time of day rates. In general, if a member uses most of their electricity during off peak hours, the A2-TOD is likely better, otherwise the A-TOD is likely the best option. If a member would like a more precise analysis, customer service can help out.

o. Are there other rate plans under discussion that we could be informed of?

There are no current plans to develop other rates for any rate class other than separating single phase small commercial and single phase residential out of Rate A.

p. I thought that with "smart meters" meter reading would no longer be a fixed cost?

While there are no meter reading personnel except for the members who have opted out of the advanced meters, there still are costs associated with reading meters.

q. I hope that the Cost-of-Service study will be made available to REC members prior to the online meeting, so that we can be ready with our questions/comments?

A webinar with REC's cost of service consultant is scheduled for the evening of November 17th. Exact details of date/time and on-line method are forthcoming.

r. In contrast to the general statement here, the Baca Grande has seen significant population/home increases. So much so that home buyers are paying above asking price now. Is it not getting less expensive per household in the Baca Grande to service us? We are the fastest growing entity in Saguache County, and likely now the largest.

In 2020, the new accounts in the Crestone and BACA were increased at about 1.5%.

II. Membership

a. How many accounts are in urban settings (small towns) where the costs of electric distribution are reduced?

REC only serves the towns of South Fork (865 meters), Creede (391 meters) and Crestone (127 meters), most of which have a large seasonal population with lower density compared to other towns. Larger towns in the San Luis Valley are served by Xcel.

b. How many accounts are disbursed in rural areas?

As stated above, REC primarily covers all rural areas in the San Luis Valley. The total number of meters served is 12,791 with 11,408 that are spread out through rural areas.

c. How many are high volume users, i.e. industrial clients or center-pivot and other users?

REC has no industrial accounts but there are 2,606 irrigation meters and 7 large power meters which have more than 500 kilowatts of demand.

d. How many actually only use electricity for a few months out of the year (seasonal)?

Between seasonal and irrigation meters, 4,831 are seasonal or 37% of REC accounts.

e. How many of the meters are residential and what percentage of power do residential customers use?

There are 8,291 residential meters (including seasonal) and the consumption is 33% of total usage.

f. How can we get better communication with the Co-op established and get responses to our questions in an adequate timeframe?

REC utilizes monthly publications (Newsboy), website, radio, social media, and email. Efforts are made to reply in a timely manner (two business days). We encourage members to visit our website for more information as

educational content and information about customer tools are updated frequently.

g. Why do rates have to be changed or raised? What is wrong with the interim rate?

Please see the responses to Question 1 (d) and (e) above.

h. Why is time-of-day usage billing not available to non-ETS households?

Please see Question 1 (f) above.

i. I still don't understand SLVREC's 15-minute system. If the demand fee is based on the highest demand in a 15-minute period, is that not the same as the highest demand over the month of the billing period? Is that not just a point in time? Or is it the total usage over 15 minutes? Do they look at the most energy used for the entire cooperative over the same 15 minutes, which would determine the coop's highest load?

i. The demand charge is based on the highest demand reading during the month. These readings are an average over a 15-minute period and the billing is based on the highest of these recorded readings.

ii. Demands are billed by meter not by the highest on the entire system. Individuals are billed based on their own demand at their own location.

j. Request that SLVREC translate their various rate classes on their website. Why are they only identified by codes that aren't obviously understandable? Seems yet another instance of being opaque to its members.

A better description of the rate is available by clicking the link. Thank you for the suggestion and we have updated the descriptions**.**

k. Why can't we meet with our board members without the CEO?

There has never been and is not now a policy or practice where members cannot speak directly with Board members individually. In fact, it happens quite regularly. Sometimes a Board member gets asked questions that a staff person can more clearly and thoroughly answer. In some of these cases, the Director asks a staff person to participate in the discussion with the member.

l. Is it possible for the Coop to reflect the community's social values, such as helping low income, climate change, etc.?

REC has had a foundation for many years that assists low-income members with bill payment assistance and weatherization programs. The foundation has also regularly contributed to Valley food banks.

m. Again, the Baca Grande, adjacent to the Town of Crestone and in an unincorporated part of Saguache County, has an estimated year-round population

(according to our postmaster) of around 2,000. How many REC accounts are in the Baca Grande? At what rate is the # of members growing?

There are approximately 850 accounts in the Baca Grande. The growth rate is currently about 1.5% annually in the Baca/Crestone area.

III. EV

a. Where are the electric charging stations, we heard about in 2018?

REC has installed one EV charging station and it is located at the facility headquarters located at 3625 US Highway 160 W, Monte Vista, CO 81144. There are several others located around the San Luis Valley. There are several websites and smart phone apps, such as PlugShare, that show electric vehicle charging station locations.

IV. Consumption

a. How can we get more information on our consumption? How can we access and monitor it? It would behoove SLVREC, since they have changed the rules of the game, to make it easy for the membership households to be able to ascertain how to minimize their demand usage. They keep falling back on the advice to not run our washer and dryer at the same time, but we use so many more electrically powered "appliances" than that. For instance, does it take more power to shut down and later turn on our computers than to leave them on all day? Which kitchen appliances can be run at the same time, e.g., microwave and toaster? Instant Pot and electric water kettle? Farmers can easily determine how much electricity is used with their pivot irrigation systems, but household usage is so overly complex. Most of us are not engineers but like or need to save money on our utilities.

i. If you have a smart meter, you can access your daily consumption by logging into Smart Hub via www.slvrec.com (pay my bill) or by downloading the Smart Hub app. If more details are desired, contact customer service for access to the advanced metering customer portal. Customer Service hours are Monday through Thursday, 7am – 5pm.

ii. Education on demand has been ongoing through the use of the monthly newsletter publication, website home page rate education tab and social media posts (FB, IG, TW)

iii. Appliances that will impact your demand are those that will run for 10-minutes or longer because the demand is averaged over a 15-minute period. Small appliances such as a toaster that runs by itself will not impact the charge because most do not run over 10 minutes.

b. Are there other education tools we can use?

See above.

c. I would like to make reasonable decisions about my electric usage but need access to the data in an easily understood and accessible format. Can I have some control over my own electric bill?

Accounts with an advanced meter have access to detailed information (hourly and daily usage) available through SmartHub and the Leidos portal.

d. Why can't everyone just have access to the Advanced Metering Portal (Leidos)? Can this information be in just one place, like SmartHub? Why is it in two different places and how would we know about it if there is no communication?

All members can access the Leidos portal, but each user needs to be set up with a username and initial password. This set up currently requires customer service to set up each member individually.

V. Other

a. How many participants are in the other focus group and how were they selected? Is the agricultural group represented in this group?

See Section 3

b. Are there any board members in the group?

There are no board participants in the group

c. What is the relationship between the board and any focus group?

There is no relationship between the board and focus groups.

d. Is there a separate agricultural group and what group was involved in the so called " subsidization correction"?

See Section 3. There were no groups involved in any rate making initiatives.

EXHIBIT D – AGRICULTURE/COMMERCIAL MEMBER QUESTIONS AND SLVREC RESPONSES

I. Renewables

a. How is SLVREC handling renewables? What is the plan?

The current Colorado Renewable Portfolio Standard (RPS) for rural electric cooperatives is 20% of kilowatt-hour sales must come from qualified renewable resources. REC has a wholesale power purchase agreement with Tri-State Generation & Transmission which supplies approximately 95% of REC electric sales. Tri-State's generation portfolio includes approximately 25% renewable from wind, solar and hydroelectric. In addition to Tri-State, REC has power purchase agreements with one solar facility and one hydroelectric facility which combined supply approximately 4% of REC's annual kilowatt-hours sales.

b. What's the plan for solar?

REC has a power purchase agreement with American Electric Power (AEP) for the purchase of the power from the Penitente Solar plant. Penitente supplies approximately 3% of REC's annual kilowatt-hour sales. Net meter installations continue to be active. Currently, there are 162-member net meter installations which a combined capacity of 1,740 kilowatts.

c. Where is the REC with hitting the 20% renewable goal? Where were they by the end of 2020?

REC has met the Colorado Renewable Portfolio Standard (RPS) (20%) since its inception. REC will continue to meet the 20% requirement through a combination of local solar and hydro resources and renewable energy supplied by Tri-State.

d. How many members put power back on the system from solar?

See the response to questions **b.**

e. Can solar be promoted/used among different classes? Could farmers use unused land for solar to help benefit REC to reach the 20% needed? Could there be collaboration between farmers and the REC?

REC member net meter applications for new installations (almost all solar) continue to be strong. Renewable electricity generation resources greater than those permitted under the member net meter program are negotiated contracts for the purchasing the output of such facilities. REC is currently in

preliminary conversations with multiple parties proposing new renewable generation facilities.

f. Would solar help run pumps like in the case of Baca Water since pumps run all year?

Solar generation facilities typically are not very effective at reducing demand for loads that run continuously. The electricity produced by solar facilities can offset the energy consumed by loads during daylight hours. If the Baca Water pumps are used during daylight hours to pump water to storage tanks which in turn gravity feed to consumers, a solar facility might be beneficial.

II. Consumption

a. Does SmartHub show you when you hit the demand? How do we know when we hit demand?

SmartHub does not show the demand; however, the LEIDOS portal does. REC is also working on including the date/time on the monthly bills of when the max demand was hit during the month. They're hoping to have this in effect in the next few months.

b. After hitting the demand, we can run whenever all month, but isn't that bad for the REC? What was the difference in demand between 2017-2018 vs. 2019-2020 for Famers?

In 2019 with the implementation of a demand component to all electric rates (large commercial and irrigation rates have had a demand component for many years), the goal is to incentivize all REC members to be conscious of the demand each member imposes on the REC distribution system. It is both impractical and impossible to make changes to wires and transformers as demand varies throughout the year. Electric distribution infrastructure is built to provide the maximum demand imposed by electric users. Over time (years), managing demand will help REC avoid major system upgrades.

System Peak Demands

2017 71,657 kilowatts
2018 70,405 kilowatts
2019 61,691 kilowatts
2020 70,463 kilowatts

c. How is it incentivizing members to use power efficiently if they hit their demand early in the month? After that it doesn't matter.

See the response to **b.** above.

d. Since the demand charge began, has the monthly demand for REC lowered? Are demand rates doing their job?

Demand components to electric rates have long been having the effect of reducing demand by commercial and irrigation members. The current interim rate for residential members has not provided significant incentive to reduce residential demand.

e. How did REC's rep to the Tri-State board vote on shutting down Craig Station?

REC's representative to the Tri-State Board of Directors voted along with the entire Tri-State Board to shut down the Craig Station since the Colorado legislature required Colorado utilities to reduce carbon emissions by 50% by 2030. The shutting down of the Craig Station was forced by Colorado legislators, not the Tri-State Board of Directors.

III. Other

a. In the cost-of-service study, there is a column "Rate Base $." What does this represent? (Proforma Slide)

Rate Base is the total electric system plant cost allocated to each rate class. Return on Rate Base is the Operating Margin collected on that Rate Base.

b. In the cost-of-service study, it was mentioned to you have to take the "riskiness" of a potential power customer into account - What's a "risky" customer?

Riskiness was meant to address the uncertainty of classes of members. Residential members might come and go, but the impact of one residential member leaving is less than the loss of a commercial account which in turn is less than the loss of a large account (for REC think large farming business). It is more justified to have a larger return on rate base for more risky classes than less risky classes.

c. What did the cost-of-service study show would be the new rate of return across classes for the rate as decided prior to the settlement?

The rate of return (based on rate base) from the cost-of-service study both before and after the settlement remains at 5.56%.

d. What are the incentives to use less power in the rate structure? The cost-of-service study presenter explained that if only certain class members would use more

power, their cost per kWh would decrease. That did not seem aligned with grid preservation or conservation.

A common question regarding rates that include a demand charge is "How can a demand charge incentivize conservation when if you set a peak demand in a 15-minute period that is the charge set for the month. Won't that encourage consumers to just use more"?

Costs to provide electricity to consumers have fixed costs and variable costs. Once the poles, wires, transformers, substations are built, they do not change. Electric systems are designed to meet peak demands. Consumers of electricity do not call and ask if there is enough capacity to turn on their electric appliances, they just do it. Those costs are fixed and appropriately recovered by a fixed charge. Having rates with a demand charge will over the long-term help avoid major capital investments such a new power plant, major substation, new transmission line, etc.

e. What is a "ratchet" and why wasn't having a 4-part with ratchet chosen by the board if the cost-of-service study suggested it would flatten rates across the classes?

In electric rates with a demand charge, a "ratchet" is when the demand charge is based on the highest previous demand set in some period, usually 12 months. Demand charges are meant to cover fixed costs (poles, wires, transformers, etc.) than once placed are not changed except in unusual cases.

f. How is REC being charged for Peak Demand? Having irrigation rate the way it is, it doesn't seem like the REC is worried about how Tri-State is charging.

Tri-State charges for peak demand during their peak hours which is from 12 noon to 10pm, except Sunday which is all off peak. REC demand charges for all rates mirror Tri-State demand structure.

g. Are we at risk for major price fluctuation from Tri-State (like Texas)?

No. REC's wholesale electric rates are fixed, generally from year to year. Texas consumers were subject to wholesale market pricing which changes hourly.

h. Is REC prepared for a significant cutback in irrigation revenue in the coming years?

Yes. REC budgets are reviewed and adjusted every year with careful analysis of irrigation accounts.

i. Is Ciello a separate company?

Yes, and it is managed as a separate company. Ciello customers support Ciello, and REC customers support REC.

j. Is it losing money? How does that affect member rates?

Ciello and REC are operated as separate entities. Net margins for Ciello are still negative and expected to continue negative for two more years. REC rates have not changed because of those losses.