

**NOTICE OF A REDUCTION IN SURCHARGE: ON THE ELECTRIC BILLS
OF SAN MIGUEL POWER ASSOCIATION INC.**

170 w. 10TH Ave., Nucla, CO 81424

You are hereby notified that SAN MIGUEL POWER ASSOCIATION, INC. (SMPA) Board of Directors has approved a reduction in a surcharge on its electric bill effective on bills received after November 1, 2014.

The approved surcharge will provide revenue to pay the loan payments related to a settlement agreement that placed a portion of the Nucla-Telluride 115kV transmission line underground. The loan and surcharge were part of a settlement to settle long-term litigation and allow the project to be constructed. The project provides much needed back-up power to the region and enhances system reliability. You will only be affected by these changes if you reside in the surcharge area as defined in the settlement agreement. The surcharge will be reduced from 7.47411% of the revenue of each monthly bill to 3.5%.

The surcharge area includes Telluride, Mountain Village, Sawpit, and Eastern portion of San Miguel County from the top of Lizard Head Pass through Trout Lake/San Bernardo area, the Telluride region and down valley through Placerville to Specie Creek Bridge, Ilium Valley and Specie, Wilson and Sunshine Mesa. The term of the final surcharge will be for 30 years at 3.217% interest.

Anyone who desires to comment about the surcharge reduction may file written comments to SMPA Board of Directors, P.O. Box 1150, Ridgway, Colorado 81432.

SMPA will hear public comments at its next two Board of Director Meetings scheduled on Tuesday, September 23, 2014 in Ridgway at 9:30 a.m. and on Tuesday, October 16, 2014 in Nucla at 9:30 a.m. SMPA Directors will vote on final approval of the reduction in surcharge at their October 16, 2014 Board meeting.

SAN MIGUEL POWER ASSOCIATION, Inc.

By: Kevin L. Ritter, General Manager/CEO