

2021 ANNUAL REPORT

LPEA


La Plata Electric Association, Inc.

A Touchstone Energy® Cooperative 



lpea.coop | (970) 247-5786





VISION: Shaping the future by building trustworthy community partnerships as an innovative, forward-thinking industry leader, delivering excellence in our member-owned cooperative.

MISSION: LPEA provides its members safe, reliable electricity at the lowest reasonable cost while being environmentally responsible.

BOARD OF DIRECTOR'S STRATEGIC GOAL: LPEA will strive to reduce its carbon footprint by 50% from 2018 levels by the year 2030 while keeping members' cost of electricity lower than 70% of its Colorado cooperative peers.

Message from the Board President and CEO



Jessica Matlock | LPEA CEO

John Witchel | LPEA Board President

2021 was a pivotal year for LPEA as we made excellent progress in [our mission](#) to deliver you affordable, reliable, safe, and low-carbon power. Much of our focus in 2021 was centered on the future of LPEA's [power supply](#). Thanks to the efforts of staff and positive negotiations with our current power provider Tri-State, we made steady progress on the partial contract option. This progress should lead to the finalization of new power supply contracts in 2022, which could save LPEA and our members an average of \$7 million per year and reduce our carbon footprint by 50%. That's a 750-million-pound reduction in CO2 per year, equivalent to removing more than 71,000 vehicles from the road annually.

We also took some large strides in broadband in 2021, with the board adopting a [resolution](#) that "LPEA will pursue a funding and partnership strategy that will enable broadband connections to its membership by 2030 without increasing electric rates to do so." After a thorough process of examining our options and their potential impacts, the LPEA board is excited to have a clear path forward on broadband.

On the operational side, LPEA is working to achieve our targets as outlined in our [5-Year Operational Plan](#). Thanks to enhanced cost controls, LPEA's controllable costs were 7% under budget in 2021. This means we were able to return more Capital Credits to members than

ever before, with \$5.5 million retired in 2021. LPEA crews replaced nearly 10 miles of line in 2021 to improve the reliability and efficiency of your electric service. We also had no workers' compensation claims thanks to an enhanced focus on safety and wellness, and zero grievances with the union.

Finally, we remained active and engaged in our communities, giving more than \$700,000 back through [rebates](#), [grants](#), [sponsorships](#), [scholarships](#), and LPEA's special [COVID-19 relief fund](#).

We look forward to more progress in 2022!

Watch our annual report video at: youtube.com/LaPlataElectric

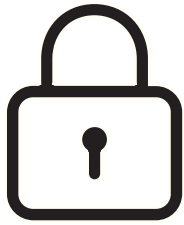
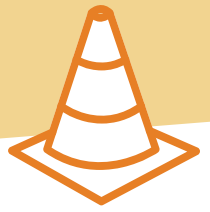


The North Star

LPEA employees convened in 2020 to assess where we were and to decide where we wanted to be in five years. Based on this analysis and underpinned by [LPEA's Vision, Mission](#), and [board's Strategic Goal](#), we developed a “North Star” to guide us towards this definition of success. The six priority areas – the points on the star – will prioritize and focus our work from 2021 to 2025 and will help us achieve success for our members, partners, and community.



Be safe and excellent in all we do



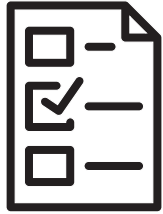
25

SUBSTATIONS WITH
INCREASED SECURITY



1st

LINEWORKER OF THE
YEAR AWARDED



2

EMPLOYEE
ENGAGEMENT
SURVEYS



0

UNION
GRIEVANCES

ACTIVITY HIGHLIGHTS

- Improved union relations with no grievances filed since developing the [Code of Excellence](#) in 2020. In the ten years prior, LPEA had 11 grievances filed with the union.
- Awarded LPEA's first-ever ["Lineworker of the Year"](#) certificates in the Pagosa Springs and Durango offices. Winners were selected by a vote of their peers based on safety practices, leadership, efficiency, collaboration, and innovation.
- Participated in the annual Mesa Hotline School to improve our linework skills.
- Launched an employee recognition program based on LPEA's Code of Excellence values.
- Conducted two employee engagement surveys to set a baseline for employee satisfaction and identify areas for improvement.
- Developed internal web applications to streamline the expense report and check request process, dramatically reducing administrative efforts across LPEA.
- Built a custom integration linking our easement database and our geographic information system, removing duplicate efforts and manual entry and increasing data accuracy.
- Implemented new wi-fi infrastructure at the Durango office to meet employee and member needs while increasing security.
- Implemented increased security measures at 25 substations.



Brent Tanner | Pagosa



Clinton Peak | Durango



PROGRESS TO DATE ON 5-YEAR TARGETS

2021 END OF YEAR STATUS:



1 loss time incident

Target: Zero loss-time incidents or accidents.



3.98 to 4.03 in 2021*

Target: Year-over-year improvements in employee engagement.



0 cyber incidents

Target: Zero cyber incidents that disrupt business processes.



99.933%

Target: Information Technology (IT) systems available 99% of the time.



LPEA = \$446

Colorado average = \$565

Target: Keep controllable expenses per member under the Colorado average.

**Established baseline for future measurement.*

Keep the lights on

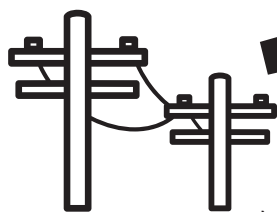


SMART VIPERS



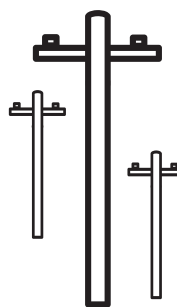
31

TREES REMOVED FROM LINES
IN DECEMBER'S STORMS



10

MILES OF LINE
REPLACED



50

FAILING POLES
REPLACED



200

MILES OF LINES SURVEYED

ACTIVITY HIGHLIGHTS

- Installed three smart electronic sensing devices (Vipers) to more effectively isolate outages, to remotely control equipment to restore power quicker, and to reduce the possibility of wildfires.
- Upgraded 10 miles of line and replaced 50 failing utility poles to increase reliability.
- Improved mapping in three substations and tagging in the field to reduce outage length.
- [Completed improvement projects](#) in Rockwood, Lost Valley, Pagosa Highlands, Hwy 550, Florida Mesa, and Hillcrest, replacing outdated equipment to improve system reliability.
- Restored 27,408 members during the [December storm outages](#), the most widespread outages LPEA has experienced in 10 years. LPEA crews fixed 48 downed lines, repaired nine broken poles, and removed 31 trees from lines.
- Increased security measures to protect LPEA and our members from cyber-scams and attacks.
- Completed a pilot program to test the efficacy of aerial drones in surveying LPEA's 2,000 miles of overhead line. Drones drastically reduce the time and costs associated with line surveying and will be used regularly in LPEA's maintenance operations moving forward.



PROGRESS TO DATE ON 5-YEAR TARGETS

2021 END OF YEAR STATUS:



0.732 power outages per member

Target: LPEA members will, on average, have less than one power outage annually.



64 minutes per member

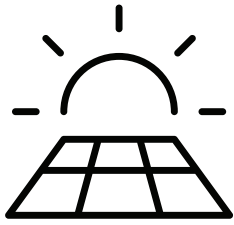
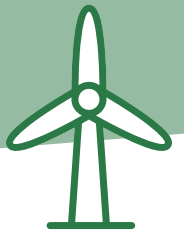
Target: LPEA members will, on average, be out of power for less than one hour annually.



11 of 41 (27%) remote sites monitored by cameras/sensors

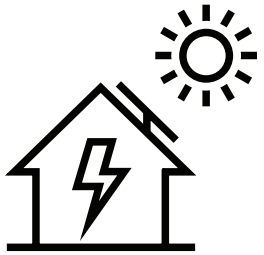
Target: 100% of LPEA's critical infrastructure is actively monitored.

Source clean, local, low-cost power



2,100kW

ADDED IN ROOFTOP SOLAR



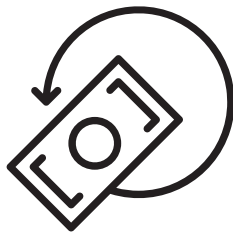
271

ROOFTOP SOLAR
LOCATIONS ADDED



4%

WHOLESALE RATE
REDUCTION FROM
TRI-STATE



\$1.5m

RETIRED CAPITAL
CREDITS FROM TRI-STATE

ACTIVITY HIGHLIGHTS

- Pursued all three prongs of the board's strategy on future power supply options.
- Negotiated a fair and equitable methodology that significantly reduced LPEA's projected buy-down payment in the case of a partial exit from the contract.
- Managed a successful Request for Proposal process for a partial power supply agreement – awarded to Crossover Energy Partners – that could reduce LPEA's costs by \$7 million annually and decrease our carbon footprint by 50%.
- Negotiated a 4% wholesale rate reduction from Tri-State. Retired \$1.5 million in Capital Credits to members to pass along the first half of this reduction.
- Added a record amount of rooftop solar installations: 2,100 kW at 271 locations.
- Received approval from Tri-State and the Federal Energy Regulatory Commission (FERC) to pursue Community Solar Gardens above and beyond LPEA's self-generation cap.



PROGRESS TO DATE ON 5-YEAR TARGETS

2021 END OF YEAR STATUS:



10 MW

Target: Up to 71 MW of renewables added to our system.



Lower than 72.7%

Target: Electric rates are lower than 70% of our Colorado cooperative peers.



10.7%

Target: Carbon footprint from power supply reduced 35% from 2018 levels.

Be a trusted community partner



 **16**
SPONSORED E-BIKES

 **\$118k+**
IN GRANTS

 **\$78k**
IN SCHOLARSHIPS

 **\$20k**
RAISED FOR RISE
ABOVE VIOLENCE

ACTIVITY HIGHLIGHTS

- Implemented a [Quality Solar Installer program](#) and related communications campaign to protect LPEA members from predatory solar marketing and false sales tactics.
- Implemented a new disconnect notification process that gives members one final call on the day of disconnect. In its first month, this process prevented 27 field disconnects and 78 total disconnects for a 41% success rate.
- Collected a total of \$14,417 in member donations through our annual [Giving Tree program](#) to help 527 members pay their bill over the holiday season.
- Hosted the annual IBEW/ LPEA annual golf tournament in Pagosa Springs, where 28 teams raised a record \$20,000 for Rise Above Violence.
- Sponsored 16 e-bikes for participants of a [4CORE initiative](#) gifting bikes for locals who demonstrated a strong need for transportation support.
- Funded 28 income-qualified weatherization projects for members in partnership with [Energy Outreach Colorado](#).
- Served 1,000+ meals at [LPEA's Member Appreciation Lunches](#) in Durango and Pagosa Springs.
- Collected 6,022 pounds of food and more than \$1,400 in cash donations at LPEA's annual ["Fill the Bucket" Food Drive](#) benefiting food banks in La Plata and Archuleta counties. See our thank you video at youtube.com/LaPlataElectric
- Awarded \$78,000 in college [scholarships](#) to four local high school seniors.
- Awarded \$118,754 in grants to non-profit organizations and \$47,000 in sponsorships.
- Handled 36,979 calls and processed 13,535 service orders through our call center.
- Conducted LPEA's biennial member satisfaction survey, setting baselines to measure improvement over the next five years. For an overview of results, visit the appendix.



PROGRESS TO DATE ON 5-YEAR TARGETS

2021 END OF YEAR STATUS:



88%*

Target: More than 90% of members are satisfied with LPEA overall.



87%*

Target: More than 90% of members are very satisfied with LPEA's online experience.



77%*

Target: LPEA's Member Loyalty Index is 80% or higher.

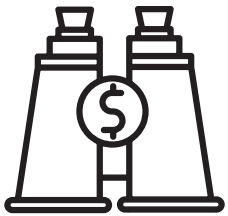
**Established baseline for future measurement.*

Maintain strong financial health



\$80k

SAVED IN METER READING



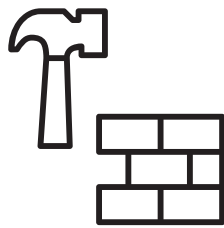
10

YEAR FINANCIAL
FORECAST



\$5.5m

RETIRED CAPITAL CREDITS



\$100k+

NEW CONSTRUCTION SAVINGS
TO MEMBERS

ACTIVITY HIGHLIGHTS

- Saved \$80,000 annually by bringing meter reading in house.
- Achieved LPEA's strongest financial performance in five years in terms of Modified Debt Service Coverage (MDSC), Operating Times Interest Earned Ratio (OTIER), and Controllable Costs.
- Retired more than \$5.5 million in Capital Credits to our members, the highest amount ever in one year.
- Set a record for the lowest-ever recorded number of delinquent accounts.
- Updated LPEA's construction estimation system to more accurately reflect the costs involved in new member service extensions. This shifts costs for new construction to the builder, saving LPEA members hundreds of thousands of dollars annually.
- Produced a 10-year financial forecast to prepare for potential future financial scenarios.



PROGRESS TO DATE ON 5-YEAR TARGETS

2021 END OF YEAR STATUS:



228.64

Target: Financial health score above 100.



16.6%

Target: Cash at 16-20% of annual operating costs.



52.74%

Target: Equity percentage of 45-50%.



73.5%

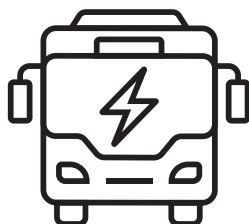
Target: Debt percentage is lower than equity percentage (100%).



4.35%

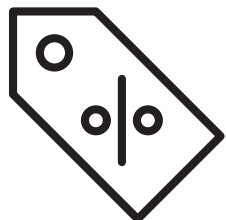
Target: Operating margin of at least 1% of income in 2021, increasing by 0.5% each year until achieving — and maintaining — a 3% margin.

Prepare for the future



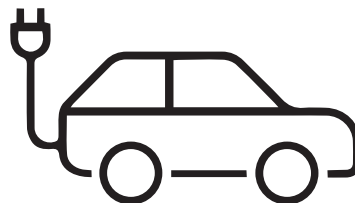
1st

V2G ELECTRIC SCHOOL BUS



46%

INCREASE IN REBATES



2

NEW EV FAST CHARGERS



\$490k

IN REBATES ISSUED TO OUR MEMBERS

ACTIVITY HIGHLIGHTS

- Issued \$490,000 in rebates to our members through our joint rebate programs with Tri-State, a 46% increase from 2020.
- Awarded \$75,000 in grant funds through NRECA and Tri-State to conduct a grid-interactive [Air Source Heat Pump pilot project](#) with a select number of income-qualified members in LPEA's service territory.
- Completed LPEA's section of the Colorado Clean Energy Corridor by adding two more DC Fast Charging Stations at the Durango Transit Center and Purgatory resort.
- Specified, acquired, and managed the installation of the first Colorado-based Vehicle-to-Grid enabled [electric school bus](#) in partnership with Durango School District 9-R.
- Completed phase one of our Distributed Energy Resource (DER) platform, including establishing integrations between LPEA's core data sources to optimize future DER initiatives.
- Produced an aggressive 10-year electric vehicle adoption scenario to identify areas in need of capacity.
- Completed a cost/benefit analysis of Electric Thermal Storage heaters, HVAC heat pumps, hybrid water heaters, and electric vehicles to enhance LPEA's rebate offerings.
- Conducted a feasibility study on various broadband strategies and supported the LPEA board in setting a [strategic goal](#) for broadband.



PROGRESS TO DATE ON 5-YEAR TARGETS

2021 END OF YEAR STATUS:



Projected to be 0.8% lower than 2020

Target: Electric sales are 5% over 2020 levels.



27.8 miles installed and operational

Target: 125 more miles of fiber added to the network.



1,764 kW of controllable DERs

Target: 5,000 kW of controllable distributed energy resources (DERs).



EVs: 33%*

E-bikes: 23%*

Outdoor equipment: 31%*

Heat pump water heaters: 25%*

Induction cooktops: 18%*

ETS heaters: 16%*

Heat pumps: 15%*

Target: Increase the likelihood that members will adopt new beneficial electrification technology by 5% points.

**Established baseline for future measurement.*

Appendix





Member Survey

In 2021, LPEA contracted with the research arm of the National Rural Electric Cooperative Association (NRECA), our long-time survey partner, to conduct our biennial Membership Satisfaction Survey.

466 LPEA members were surveyed at random, providing a 95% confidence level that the survey sample was representative of LPEA's entire membership.

In 2021, 25% of surveys were conducted via phone and 75% were conducted online. In past years, these percentages were swapped. As people give higher rankings over the phone, this methodology change resulted in a drop in scores in some areas. Moving forward, this survey will be the new baseline on which to measure future progress.

The full 2021 member survey presentation can be found at lpea.coop. The next Member Satisfaction Survey will be conducted in 2023.

2021 SURVEY TOP-10 HIGHLIGHTS

1. Overall satisfaction with LPEA is very good.
2. Our American Customer Satisfaction score has remained consistent year-over-year and would have increased in 2021 if not for the methodology change.
3. Our Member Loyalty Index score is in the "Healthy" range at 77.
4. Member Service Index scores decreased due to the methodology change. We will continue to focus on these areas to achieve upward progress in the future.
5. Of the seven electric technologies tested, members are most likely to purchase or use an electric vehicle or outdoor electrical equipment in the next three years. Member interest is lowest for heat pumps and Electric Thermal Storage systems. (see *chart 1*)
6. There is strong member support for LPEA's involvement in broadband.
7. There is strong member support for LPEA's discontinuation of the Colorado Country Life magazine in 2020.
8. Members prefer to receive LPEA communications via email, phone/text, or newsletter.
9. We set baselines to measure member perceptions of LPEA transparency and effective board governance.
10. LPEA has double the national average of "Environmental Champions" in our service territory, and half the national average of "Complacent Consumers". This means, in general, we have an engaged membership that cares about environmental issues. (see *chart 2*)

CHART 1: ELECTRIC TECHNOLOGIES

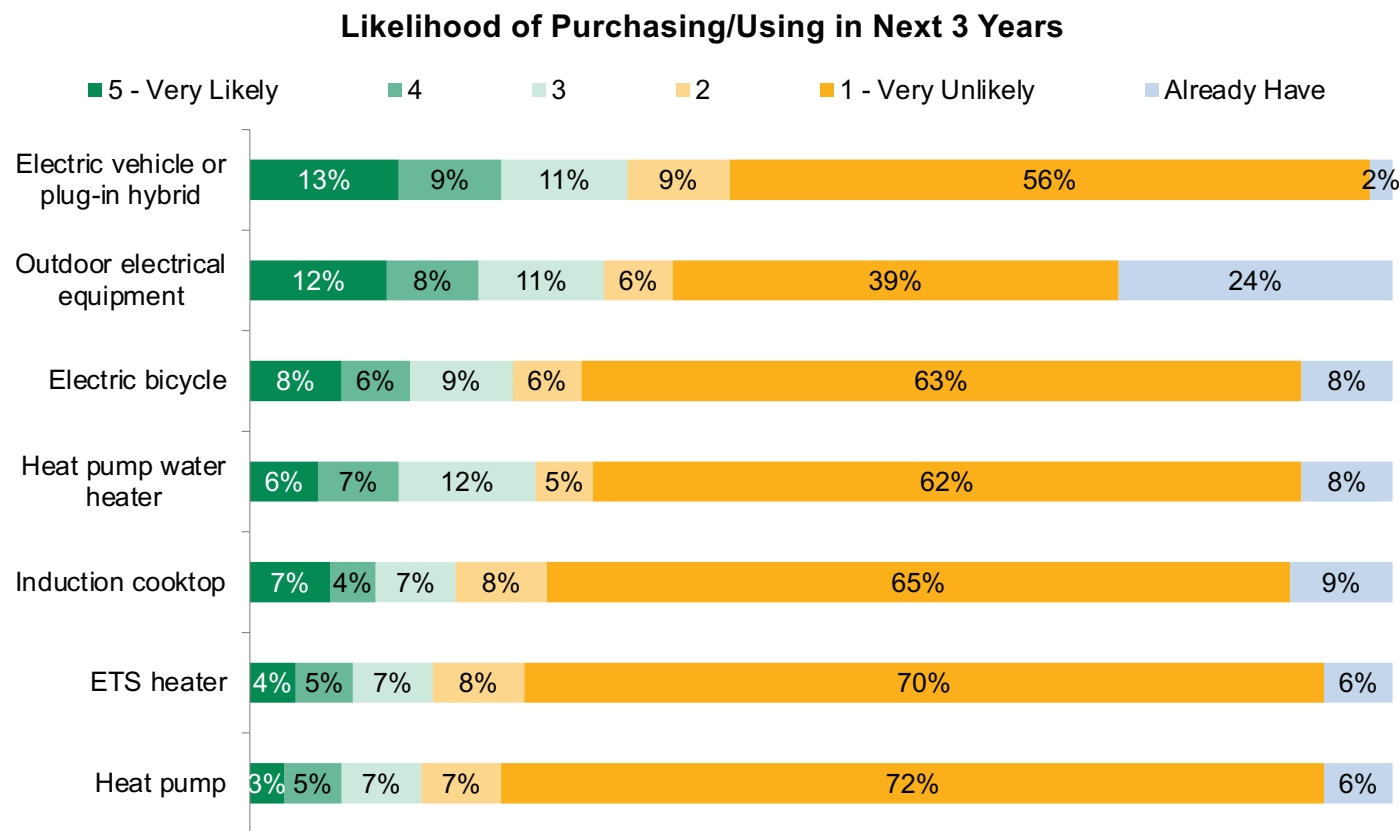
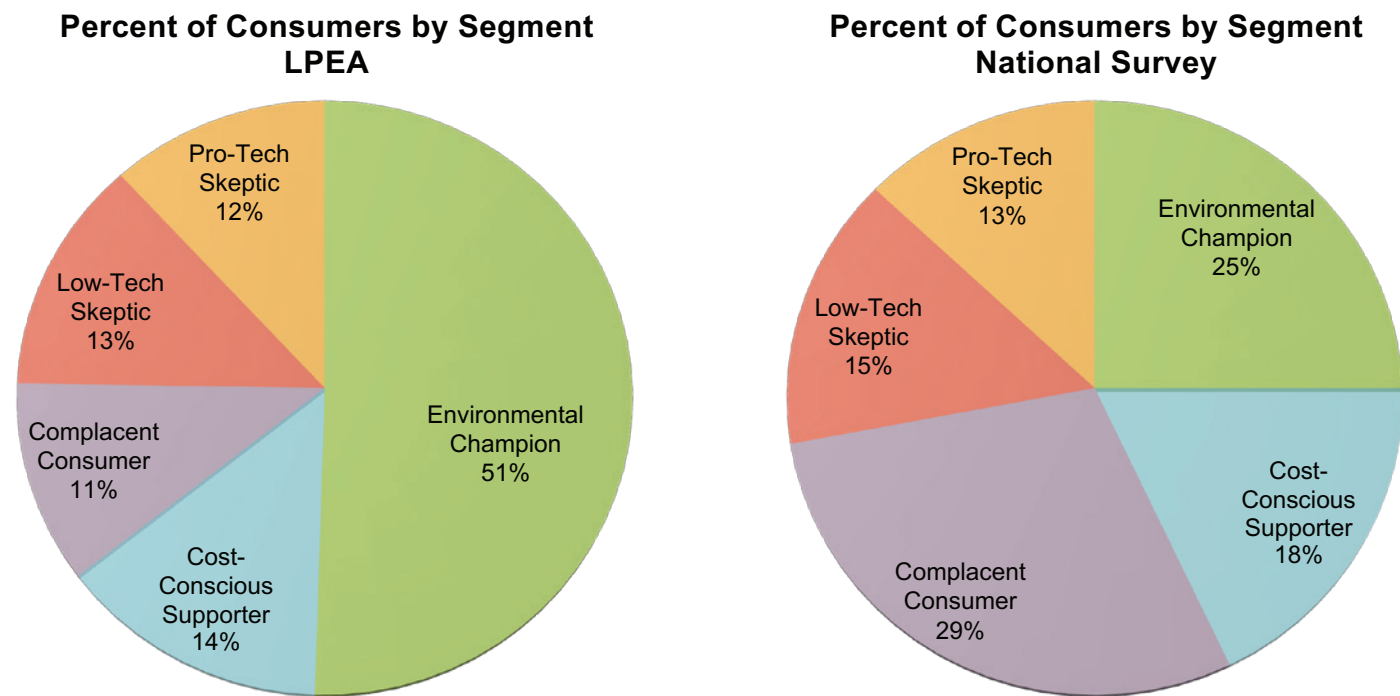
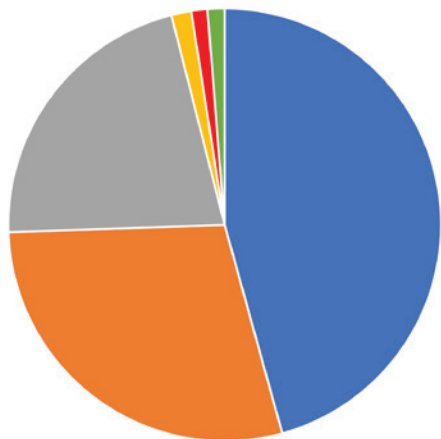


CHART 2: CONSUMER SEGMENTS



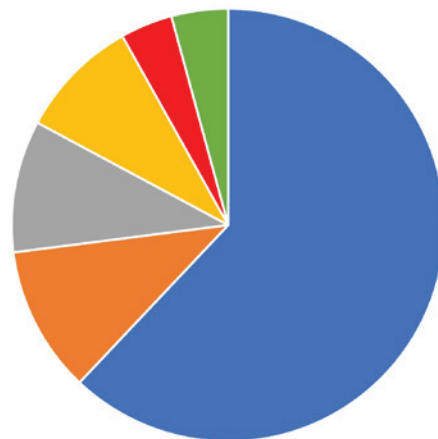
Financials at a Glance

REVENUE



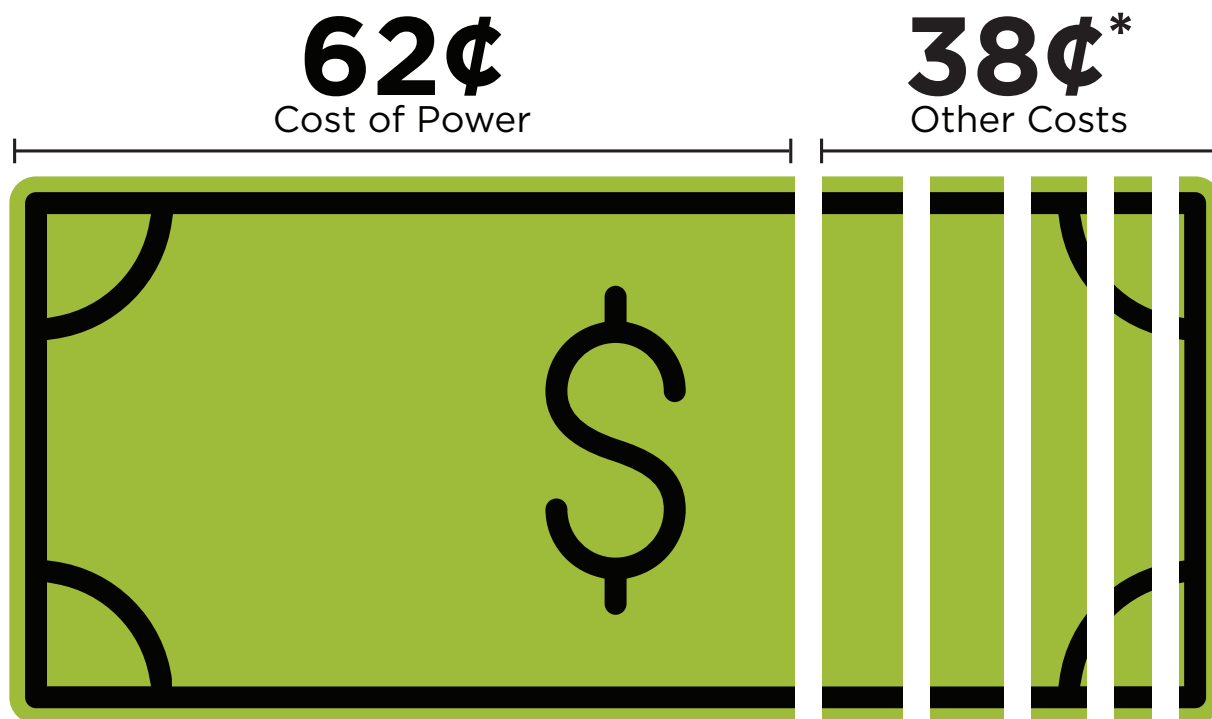
■ Residential	\$50,118,970	46%
■ Small Commercial	\$31,511,120	29%
■ Large Commercial	\$23,675,843	22%
■ Other Operating Revenues	\$1,638,043	1%
■ Tri-State Allocations	\$1,305,558	1%
■ Other Allocations & Income	\$1,401,362	1%

EXPENSES



■ Cost of Power	\$66,350,034	62%
■ Operating Costs	\$11,697,466	11%
■ Administrative Costs	\$10,543,158	10%
■ Plant Costs	\$9,665,077	9%
■ Cost of Borrowing	\$4,159,141	4%
■ Net Margins	\$4,529,100	4%

HOW YOUR DOLLAR IS SPENT



*11¢ Operational Costs, 10¢ Administration Costs, 9¢ Plant Costs
4¢ Cost of Borrowing, 4¢ Net Margin



Consolidated Balance Sheets^{*}

	2021	2020
Assets		
Utility Plant & Nonutility Plant, Net	\$ 171,300,981	\$ 173,299,186
Investments, at Cost; Other Assets and Other Property	84,060,309	85,005,374
Current Assets		
Cash & Cash Equivalents	13,928,289	13,331,846
Certificate of Deposit	249,948	150,000
Marketable Securities	2,094,316	1,894,676
Accounts Receivable, less allowance for doubtful accounts; 2020—\$91,849 & 2019—\$68,979	12,108,639	11,948,431
Contract Assets	4,650	9,919
Materials & Supplies	1,928,920	1,840,079
Prepayments & Other Assets	687,860	731,738
Total Current Assets	31,002,622	29,906,689
Deferred Debits		
Regulatory Assets and rights-of-way	5,075,541	5,353,170
Other	89,708	84,847
	5,165,249	5,438,017
Total Assets	\$ 291,529,161	\$ 293,649,266
Liabilities and Equity		
Equities		
Patronage Capital	\$ 151,554,259	\$ 147,896,026
Donated Capital	17,901	9,053
Total Association equities	151,572,160	147,905,079
Noncontrolling interest	2,669,740	2,488,498
Total Margins & Equities	154,241,900	150,393,577
Long-Term Debt	105,772,011	111,256,874
Current Liabilities		
Current Maturities Long-term Debt	5,494,313	5,466,649
Accounts Payable	7,066,106	7,944,330
Contract Liabilities	9,129	9,360
Accrued expenses	4,525,329	3,874,455
Accrued taxes	1,571,163	1,509,480
Consumers Deposits	875,695	1,221,517
Total Current Liabilities	\$ 19,541,735	\$ 20,025,791
Deferred Credits	11,973,515	11,973,024
Total Liabilities and Equity	\$ 291,529,161	\$ 293,649,266

Consolidated Statements of Margins*

	2021	2020
Operating Revenue		
Electric Energy Revenue & Gross Sales	\$ 106,160,125	\$ 104,366,895
Miscellaneous Revenue	6,199,018	6,036,946
Total Operation Revenue	<u>112,359,143</u>	<u>110,403,841</u>
Operating Expenses		
Cost of power and goods sold	67,301,343	68,890,293
Transmission	797,240	639,411
Distribution	8,858,650	8,419,109
Maintenance of distribution plant	3,523,318	3,061,235
Accounting & Collection Expenses	1,494,456	1,396,635
Other Customer Expenses	3,035,153	2,669,511
Administrative & General	7,056,419	6,901,481
Depreciation & Amortization	<u>10,823,888</u>	<u>10,510,899</u>
Total Operation & Maintenance Expense	<u>102,890,467</u>	<u>102,488,574</u>
Operating Margins before Fixed Charges	9,468,676	7,915,267
Fixed Charges		
Interest on Long-Term Debt	<u>(4,159,142)</u>	<u>(4,309,673)</u>
Operating Margins after Fixed Charges	5,309,534	3,605,594
Generation & Transmission & Other Capital Credits	<u>1,931,934</u>	<u>1,998,243</u>
Operating Margins	<u>7,241,468</u>	<u>5,603,837</u>
Non Operating Margins		
Interest and investment income	323,826	409,597
Other revenue	<u>85,449</u>	<u>2,291,112</u>
Total Nonoperating Margins	<u>409,275</u>	<u>2,700,709</u>
Net Margins Before Income Taxes	7,650,743	8,304,546
Provision for Income Taxes	<u>233,444</u>	<u>232,083</u>
Net Margins	7,417,299	8,072,463
Less Net Margins Attributable to Noncontrolling Interest	<u>(181,242)</u>	<u>(230,296)</u>
Net Margins Attributable to the Association	<u>\$ 7,236,057</u>	<u>\$ 7,842,167</u>

*Year ending December 31, 2021 and 2020

About Us

LPEA is a member-owned electric distribution cooperative serving La Plata and Archuleta counties, with segments of Hinsdale, Mineral, and San Juan counties. LPEA is the fifth largest of 22 cooperatives in Colorado, serving approximately 34,200 members and more than 47,000 meters.

HEADQUARTERS

45 Stewart Street
Durango, CO 81302

BRANCH OFFICE

603 S. 8th Street
Pagosa Springs, CO 81147

GOVERNING BODY

LPEA is governed by a 12-member Board of Directors. We have four voting districts

and three board members per district. Four directors are elected each year at the LPEA Annual Meeting. Directors serve three-year terms and are welcome to run as incumbents once that term is up.

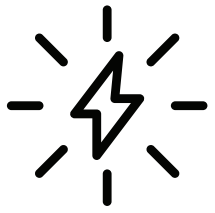
POWER SUPPLY

Tri-State Generation & Transmission is a not-for-profit cooperative power supplier to 42 electric cooperatives and public power districts across the West. They provide power to more than one million members in Colorado, Nebraska, New Mexico, and Wyoming. Tri-State provides regional transmission facilities and delivers power to substations for LPEA to distribute to local cooperative members.

ENERGY RESOURCE MIX

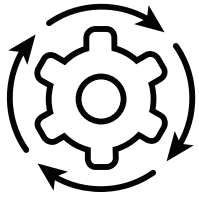
Tri-State provides regional transmission facilities and delivers 95% of LPEA's power to substations for distribution to local cooperative members. Tri-State uses coal (56%) and natural gas (4%) as their primary fuel sources in the generation of electricity for LPEA's members. Renewable energy (32%) is a critical secondary fuel achieved through a mixture of solar projects, wind farms, hydropower, heat, and methane recovery in Colorado, New Mexico, and Wyoming. Market purchases (8%) account for the additional energy resource mix.





898,760,312kWh

ENERGY SALES A YEAR



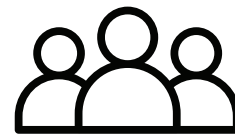
\$106,943,976

OPERATING REVENUES A YEAR



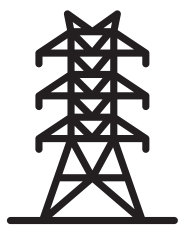
47,839

METERS



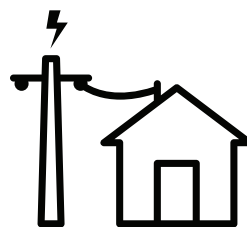
114

EMPLOYEES



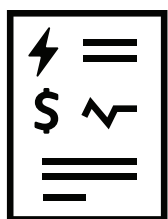
204

MILES OF
TRANSMISSION LINE



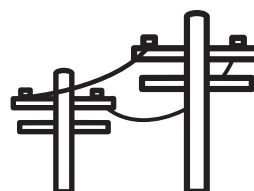
672kWh

AVERAGE MONTHLY
RESIDENTIAL USE



\$109.15

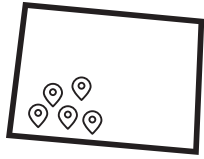
AVERAGE MONTHLY
RESIDENTIAL BILL



3,760

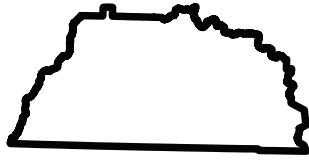
MILES OF LINE

Our Service Area



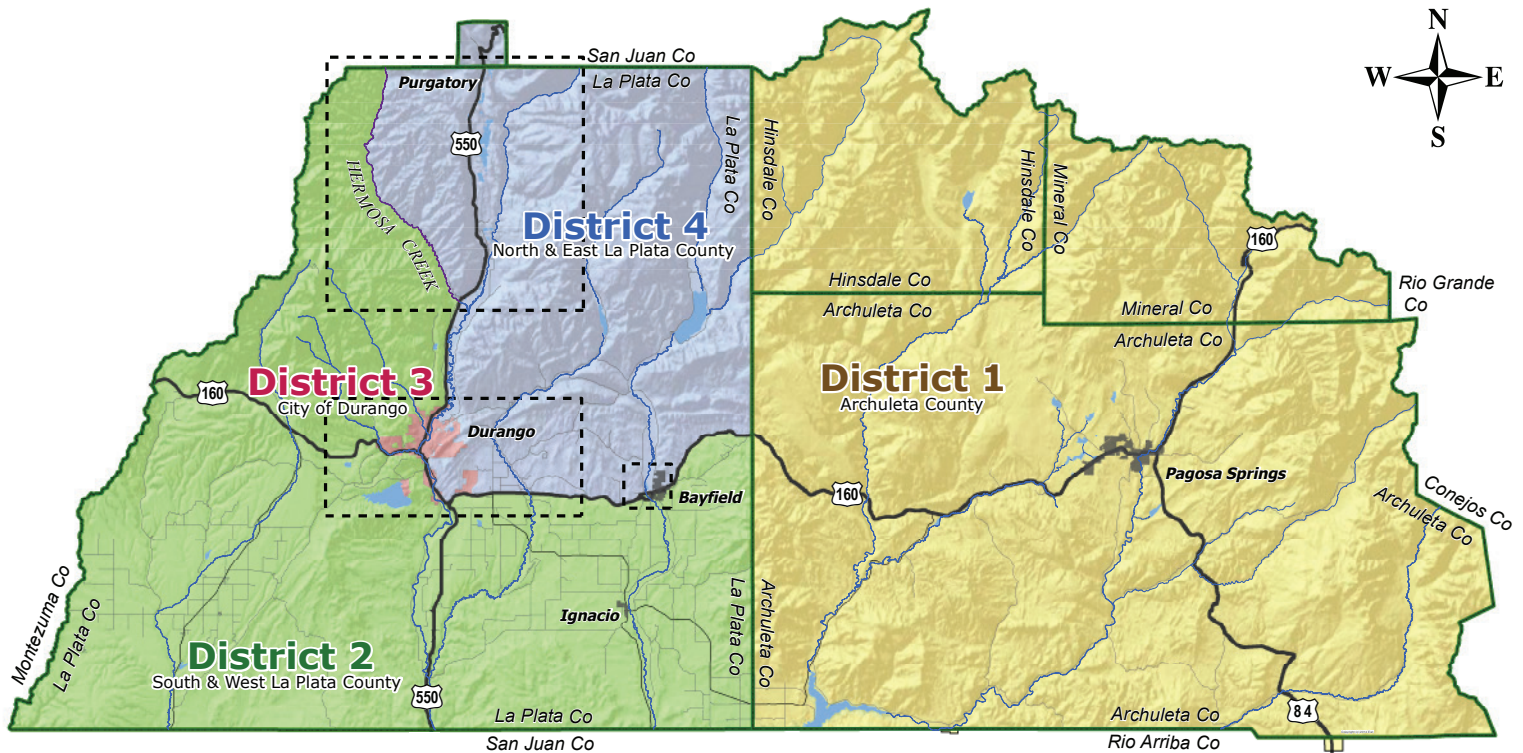
5

COUNTIES



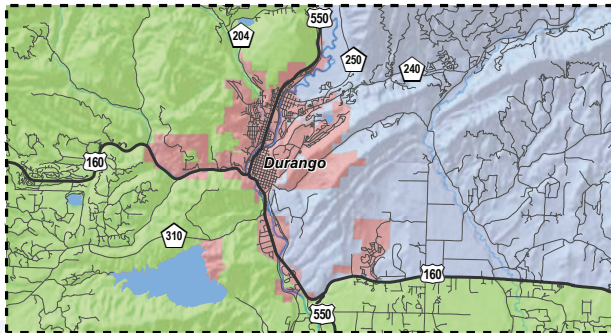
3,531mi²

OF SERVICE AREA

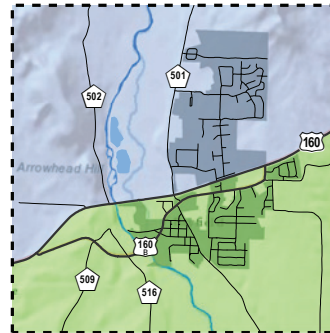


Legend

- US Highways
- State Hwys
- County Roads
- Rivers
- Towns
- Lakes
- Districts
 - 1
 - 2
 - 3
 - 4
- Area Locations



District 3/Durango Area



Bayfield Area



Hermosa Area

Leadership Team



Jessica Matlock
CEO



Dan Harms | Executive VP of
Grid Solutions + Special Projects



Graham Smith
General Counsel



Garrett Hammer
District Manager, Pagosa Springs



Hillary Knox
VP of Member Experience



Jerry Sutherlin
VP of Operations



Drew Timmerman
VP of Information Technology



Karl Ramsey
VP of Finance



Elizabeth Howe
VP of Administrative Services

Board of Directors

Electric cooperatives like LPEA are private, independent electric utilities owned by and operated for the benefit of the members they serve. Everyone who pays their electric bill to LPEA is eligible to be a member of the cooperative, and as such has the right to both vote for the directors who represent them on the board, and run for a seat on that board.

DISTRICT 1: ARCHULETA COUNTY



Bob Lynch



Kirsten Skeeihan



Holly Metzler

DISTRICT 2: SOUTH + WEST LA PLATA COUNTY



Kohler McInnis



Dan Huntington



John Lee Jr.

The Board of Directors determines the policies and overall directives of the cooperative, and provides LPEA staff with goals and objectives for the business. LPEA is governed by a board of 12 directors, three in each district.

DISTRICT 3: CITY OF DURANGO



Rachel Landis



Joe Lewandowski



Ted Compton

DISTRICT 4: NORTH + EAST LA PLATA COUNTY



Tim Wheeler | Board VP



Sue McWilliams



John Witchel | Board President

LPEA

La Plata Electric Association, Inc.

A Touchstone Energy® Cooperative 

