

2022 ANNUAL REPORT



LPEA

La Plata Electric Association, Inc.

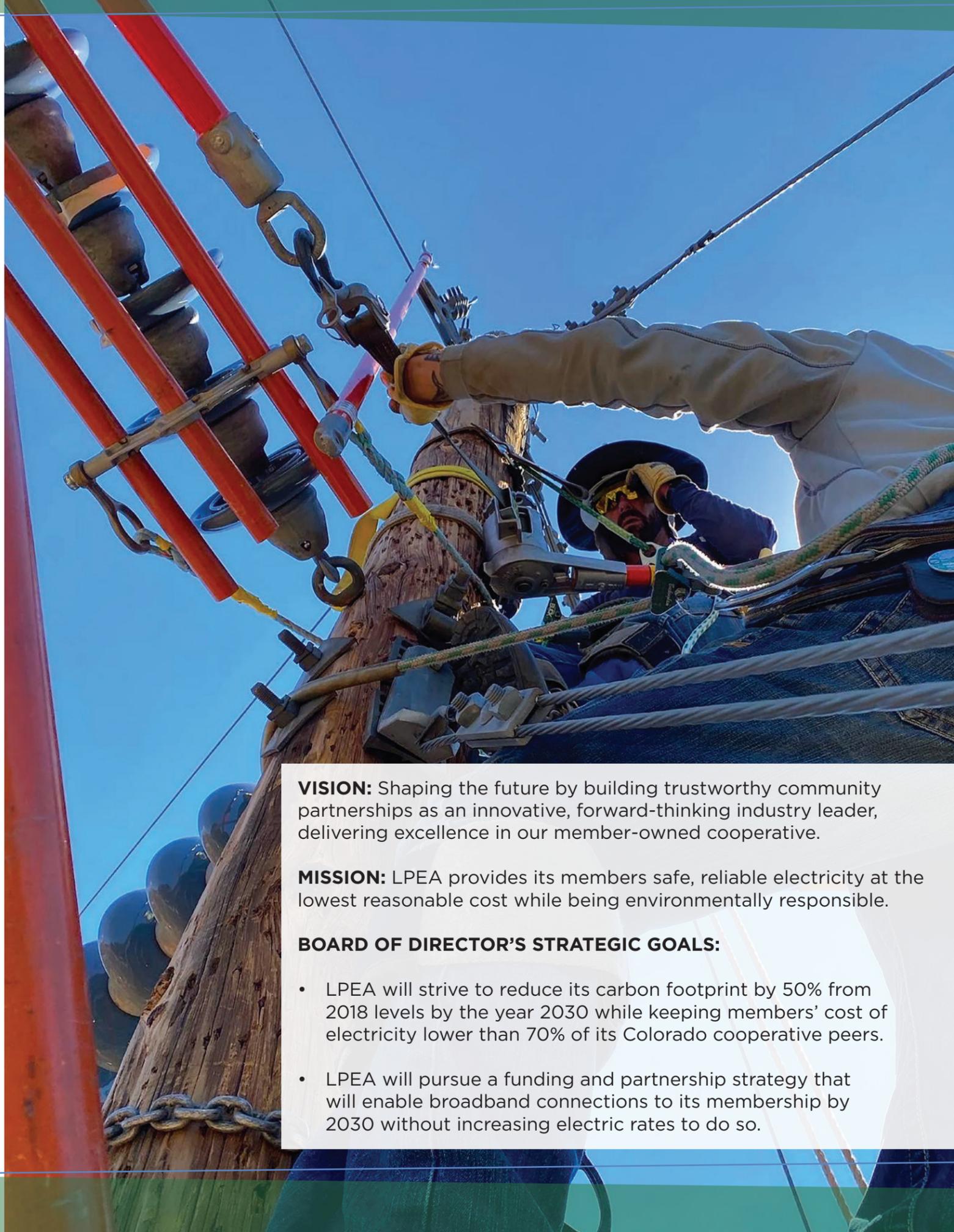
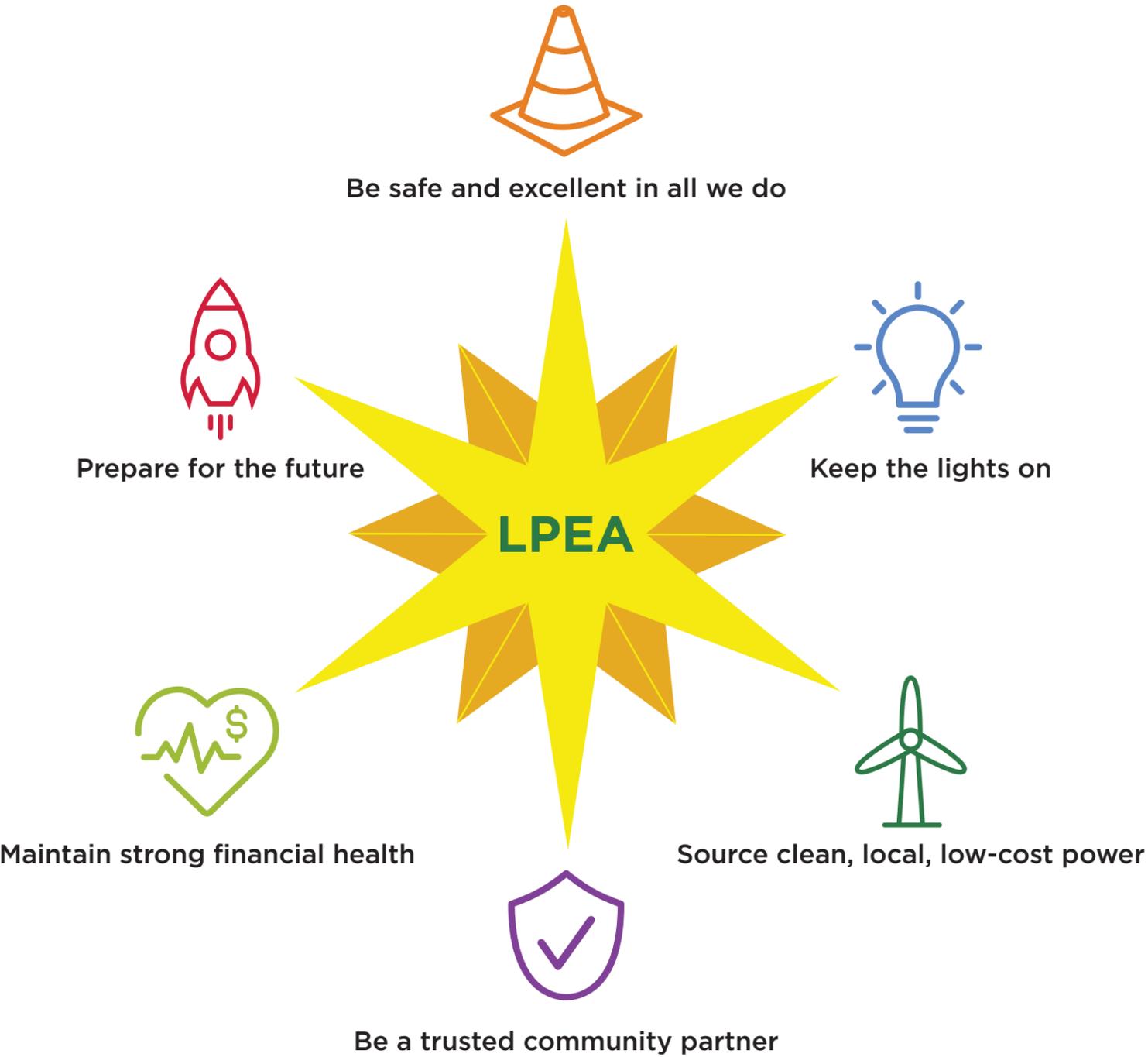
A Touchstone Energy® Cooperative 

lpea.coop | (970) 247-5786



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 Goals, 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.



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 GOALS:

- 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.
- 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.

Message from the CEO and Board President



Jessica Matlock | CEO



John Witchel | Board President

In 2022, LPEA continued to deliver on our mission to supply members with safe, reliable, affordable, and environmentally responsible electricity. We have risen steadily since 2019 and finished 2022 in the top three best financially performing cooperatives in Colorado.

We reached many milestones in 2022, as detailed in this report and we would like to especially highlight three areas: financial management, power supply innovation, and electrical infrastructure upgrades.

FINANCIAL MANAGEMENT

2022 was a year of excellent financial management. Our controllable costs were \$1 million under budget and remained significantly lower than the averages for U.S. and Colorado electric co-ops.

We were able to return \$4.5 million in patronage capital to our members, pay back \$4.5 million in long-term debt, and invest over \$10 million into our electrical infrastructure without borrowing or increasing rates. After being near the bottom of the statewide rankings for electric co-ops for several years (in terms of financial performance), we have risen steadily since 2019 and finished 2022 in the top three.

Even though inflation has increased many of our costs by 50%, LPEA's strategic decisions have allowed us to keep rates stable since June 2020 while national electricity rates have increased by 24% cumulatively over that same time.

POWER SUPPLY

We achieved some significant wins and accomplishments in

2022 related to LPEA's future power supply negotiations. We successfully negotiated with Tri-State to carve out another 2 MW of renewable generation that we can develop locally ourselves. Local generation creates jobs, educational opportunities, diversifies our energy resources and increases our resiliency by locating power generation closer to our population. As a result of this collaboration with Tri-State, we are pursuing the development of a community solar project next to our substation that is located near Sunnyside Elementary School. The 1.7 MW, nine-acre project will generate an estimated 4,643,000 kWh per year, which is enough to power 600 homes. We estimate the project will be completed in the Spring of 2024.

After hosting a town hall meeting in February, the LPEA board unanimously passed a resolution allowing LPEA to examine sourcing roughly half of our power from our current power provider, Tri-State, and half of our power from other sources. We then reached a historic settlement agreement with Tri-State and several other rural electric co-ops to achieve this flexibility in our future

power supply. Unfortunately, the settlement was contested by one entity and the settlement is now working through a lengthy court process at the Federal Energy Regulatory Commission (FERC). LPEA, Tri-State and a few other cooperatives are partnering together to work toward a resolution that works for all parties.

Even with these delays, all three prongs of LPEA's power supply strategy, as initiated in 2019, are being pursued. We continue to monitor and analyze all possible options to deliver you reliable, affordable, low-carbon power well into the future. Read the latest on this ongoing process at lpea.coop/powersupply.

INFRASTRUCTURE UPGRADES

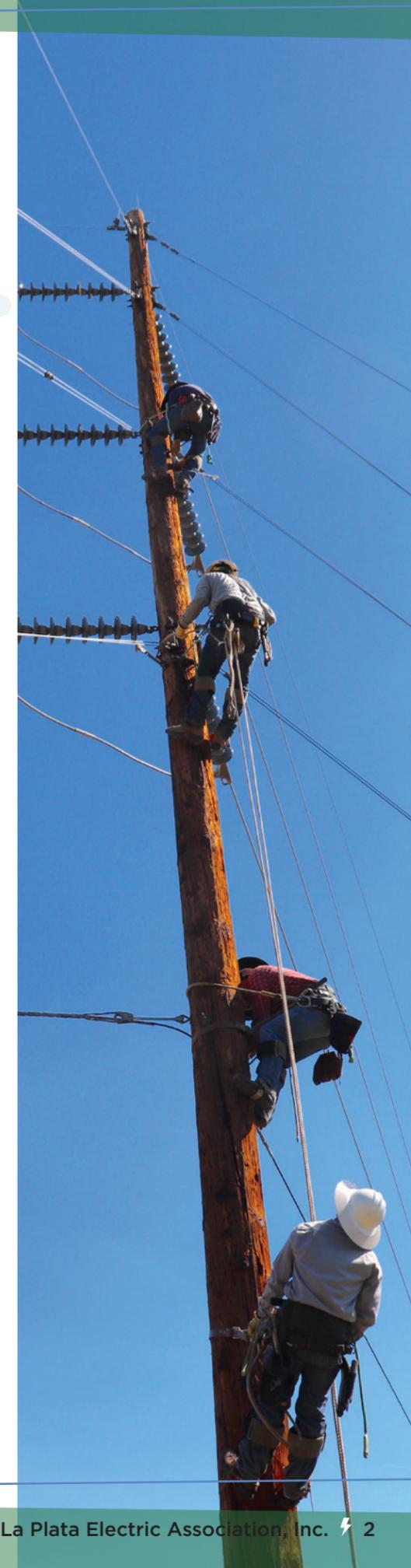
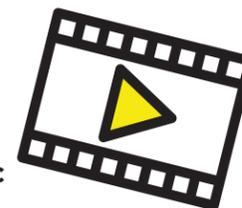
We redoubled our efforts in 2022 to upgrade and harden our electrical system to improve the reliability of your power. We invested \$10.4 million in our electrical infrastructure, which increased our reliability and resiliency, resulting in fewer outages and faster restorations. This included replacing 13 miles of aging powerlines, connecting 611 new services, upgrading substations and building new tie lines.

For the first time ever, we used aerial drones to quickly and more accurately locate problems that would cause power outages and safety concerns. We also developed our first comprehensive Vegetation Management Plan to help us strategize and prioritize our efforts in critical zones with the highest forest fire potential.

These efforts have already paid off. During December 2022's snowstorm outages, crews restored more than 4,000 members and 253 outages within 14 hours (when outages like this could have resulted in more than 24 hours without power prior to these improvements), and less than 10 of those outages were caused by downed trees and limbs. For more information on LPEA's Vegetation Management program, visit lpea.coop/vegmgmt.

We look forward to continuing to exceed our goals in 2023, in service to you, our members.

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



Be safe and excellent in all we do



Keep the lights on



ACTIVITY HIGHLIGHTS

- Given LPEA's reputation for leadership and innovation in the community, Admiral Mike McCabe (call sign Wizard), an instructor at Top Gun and a leader in the US Navy known for making significant technology shifts and changes, chose to visit and share his insights on leadership with LPEA's leaders.
- LPEA sent a select crew of our top notch lineworkers to participate at the International Lineman's Rodeo. They shared their techniques, competed with other line crews from around the world in various overhead powerline tasks, including the hurtman rescue.
- To enhance member support LPEA simplified rebate submittals and digitized our process to expedite rebate distribution.
- LPEA is constantly working to protect our systems and our members from cyber-attacks. Major work this year included completing a comprehensive cyber risk assessment and performing a tabletop exercise to test incident response and readiness.
- LPEA increased budget accuracy by developing a dashboard to analyze the budget, progress, and details of large capital projects.
- LPEA worked to shave controllable costs by moving to paperless, saving members money, creating more efficient processes and streamlining our work flow processes.
- To improve security, resiliency and capacity of our phone system, LPEA moved our telecommunications to a more secure cloud-based enterprise phone system. This increases our ability to handle large call volumes, dynamically allocate staffing resources, and add future functionality such as online chat.

ACTIVITY HIGHLIGHTS

- LPEA's drone program inspected 1,300 poles and repaired 252 emergency issues identified which allowed us to proactively address situations that would have otherwise resulted in a power outage or had the potential to start a wildfire.
- To keep LPEA's system reliable and free of hazards, we replaced 115 reject power poles and 86 broken crossarms.
- To protect wildlife and prevent outages, LPEA added raptor protection to 124 primary dips where wildlife could have come in contact with our lines.
- To ensure LPEA's electrical grid maintains its reliability and the capacity needed to serve the growth in our area, we completed nine major capital projects and upgraded 13 miles of line.
- LPEA installed three smart electronic sensing devices (Vipers) to more effectively isolate outages, in our service territory, to remotely control equipment to restore power quicker, and to reduce the possibility of wildfires.
- At LPEA, we have developed a comprehensive Fire Mitigation Plan along with Vegetation Management guidelines. These initiatives aim to identify and upkeep areas with a heightened fire risk. Our primary objective is to raise awareness among our members regarding the hazards associated with overgrown vegetation and its detrimental effects on the electrical infrastructure. Through effective management of trees, brush, and right-of-ways, we can effectively minimize the occurrence of fires.
- During the Perins Peak Fire and the Bear Dance Fire emergencies, LPEA crews and support personnel actively collaborated with fire and rescue services to ensure the safe evacuation of residents. Apart from supplying crucial data concerning residents in potential danger from the advancing fires, our teams diligently worked to de-energize power lines along the fire's trajectory and to maintain the power needed for fire and rescue efforts.



Source clean, local, low-cost power



Be a trusted community partner



ACTIVITY HIGHLIGHTS

- LPEA conducted nine electric safety demonstrations with schools and other local organizations to promote electric safety in our community.
- LPEA launched an interactive map detailing our work locations for enhanced member visibility (lpea.coop/construction-updates).
- LPEA launched its new CashBack (lpea.coop/capitalcredits) campaign to help members understand the financial benefits of the cooperative model. Capital credit retirements and allocations happened at the same time and members were sent an infographic explaining the process along with details of the money or bill credits they received.
- Improved LPEA's emergency communication protocols through the expanded use of text messaging.
- LPEA distributed \$163,128 in Unclaimed Capital Credit Funds to 52 local non-profit organizations through LPEA's combined grant programs.
- LPEA awarded \$102,000 in scholarships to nine local students through LPEA's Unclaimed Capital Credit Funds.
- LPEA collected \$14,417 in donations for our Giving Tree program to help more than 480 members pay their electric bill over the holiday season.
- LPEA collected 5,840 pounds of food during our annual IBEW "Fill the Bucket" food drive to donate to local food banks before Thanksgiving.

ACTIVITY HIGHLIGHTS

- LPEA continued to make progress on our Board's three-pronged strategy on our future power supply.
- LPEA negotiated and secured an additional 2 MW of renewable power from Tri-State to develop a community solar project. As a result, we are developing a solar project near our Sunnyside substation to take advantage of that award.
- LPEA negotiated and submitted a settlement to the Federal Energy Regulatory (FERC) Commission with Tri-State and two other Colorado co-ops on a possible Partial Buydown Payment.
- LPEA monitored and submitted comments in the FERC process on the full-buy out.
- LPEA hosted town hall meetings with members to discuss future power supply options.


\$14k+

\$102k
 DONATIONS COLLECTED FOR THE GIVING TREE PROGRAM
 IN SCHOLARSHIPS


\$163k+

9
 IN GRANTS
 ELECTRIC SAFETY DEMOS

Maintain strong financial health

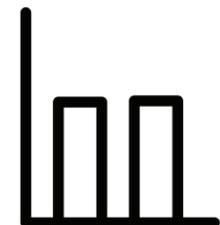


 **\$60k+**
IN SAVINGS FROM 6K NEW PAPERLESS BILL MEMBERS

 **27%**
DECREASE IN LONG-TERM DEBT

 **\$4.5m**
RETIRED CAPITAL CREDITS

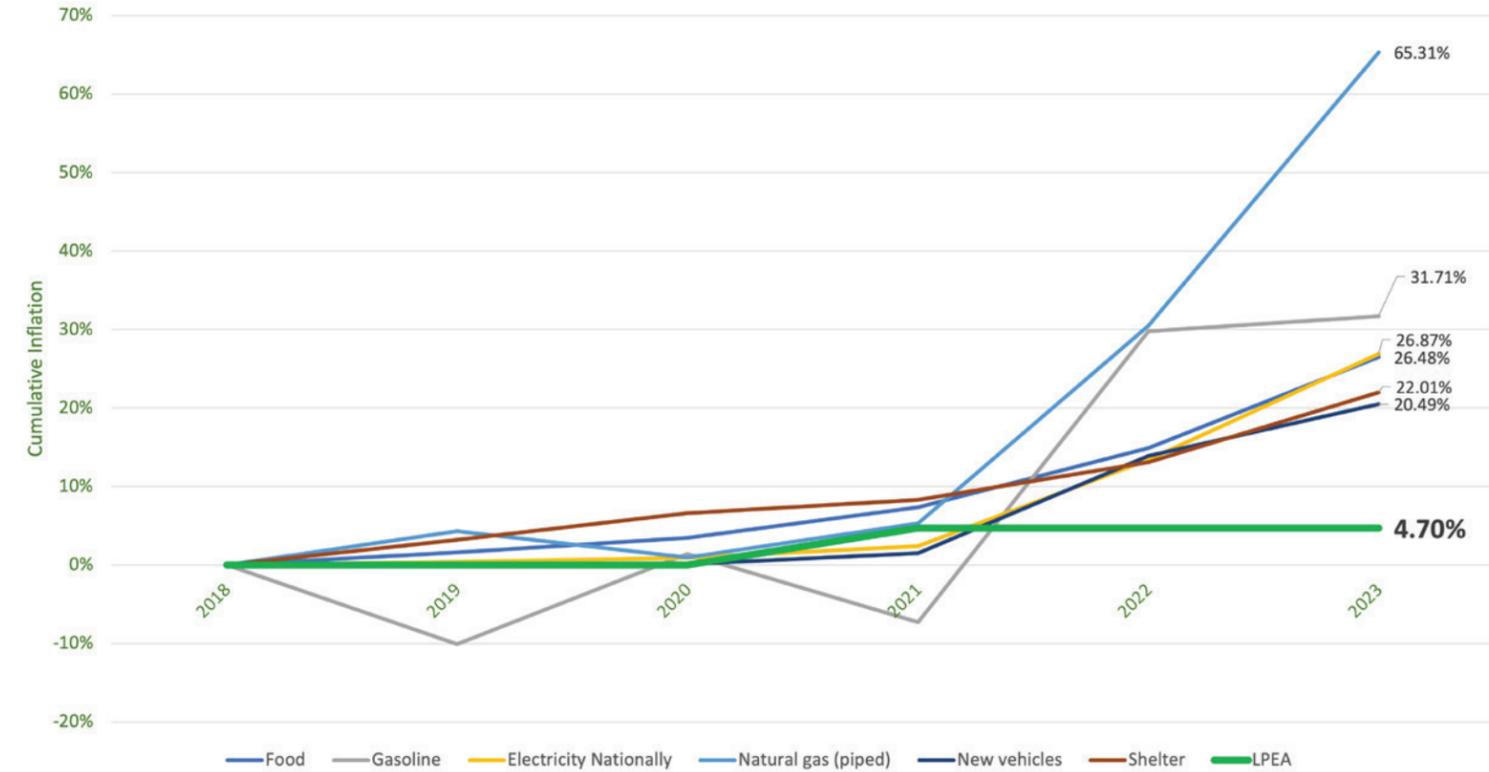
 **TOP 3**
IN CREDITWORTHINESS

 **\$0**
RATE INCREASE IN 2021 AND 2022

ACTIVITY HIGHLIGHTS

- LPEA did not raise rates in 2021 or 2022, keeping local electricity rates stable while prices for other sources of energy have dramatically increased.
- LPEA returned more than \$4.5 million in Capital Credits to members in 2022.
- LPEA's controllable costs remained significantly lower than the U.S. and Colorado averages both in terms of \$/kWh and \$/member.
- LPEA's long-term debt per member has decreased each year since 2017 with a total decrease of 27%.
- LPEA's controllable costs were \$1 million under budget and remained significantly lower than the averages for U.S. and Colorado electric co-ops.
- LPEA switched roughly 6,000 members to paperless billing, saving the co-op more than \$60,000 annually in paper and postage fees.

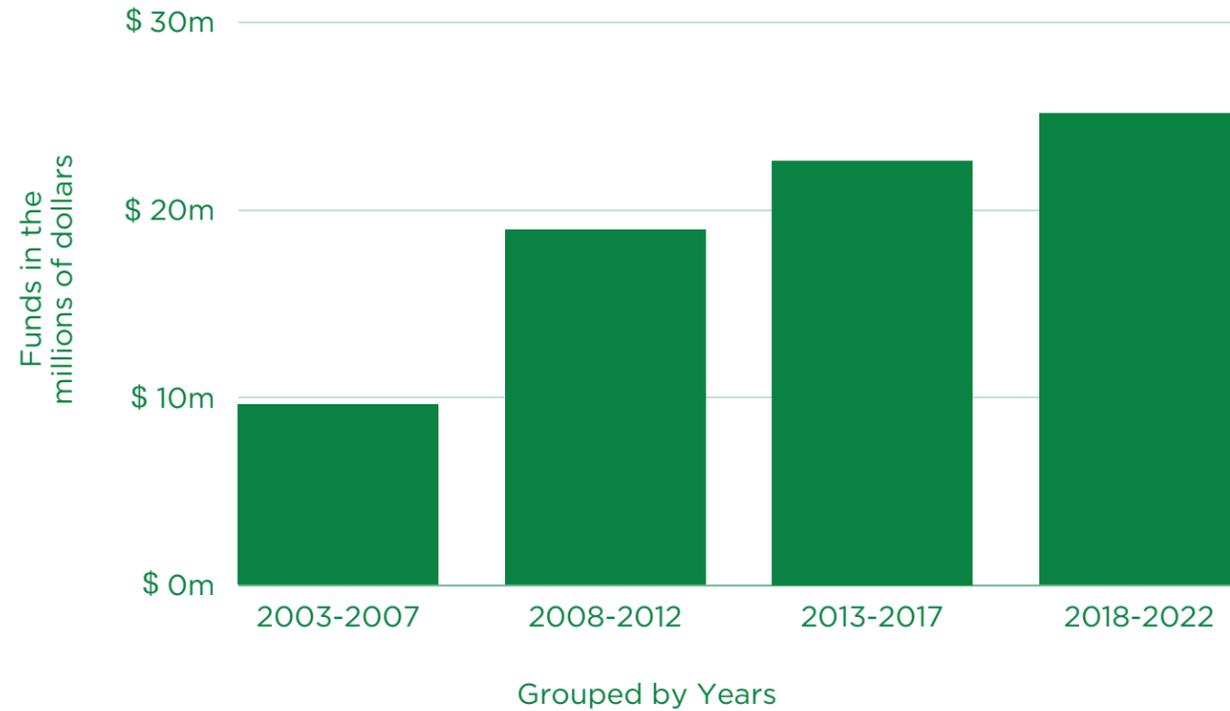
FIVE YEAR CUMULATIVE INFLATION



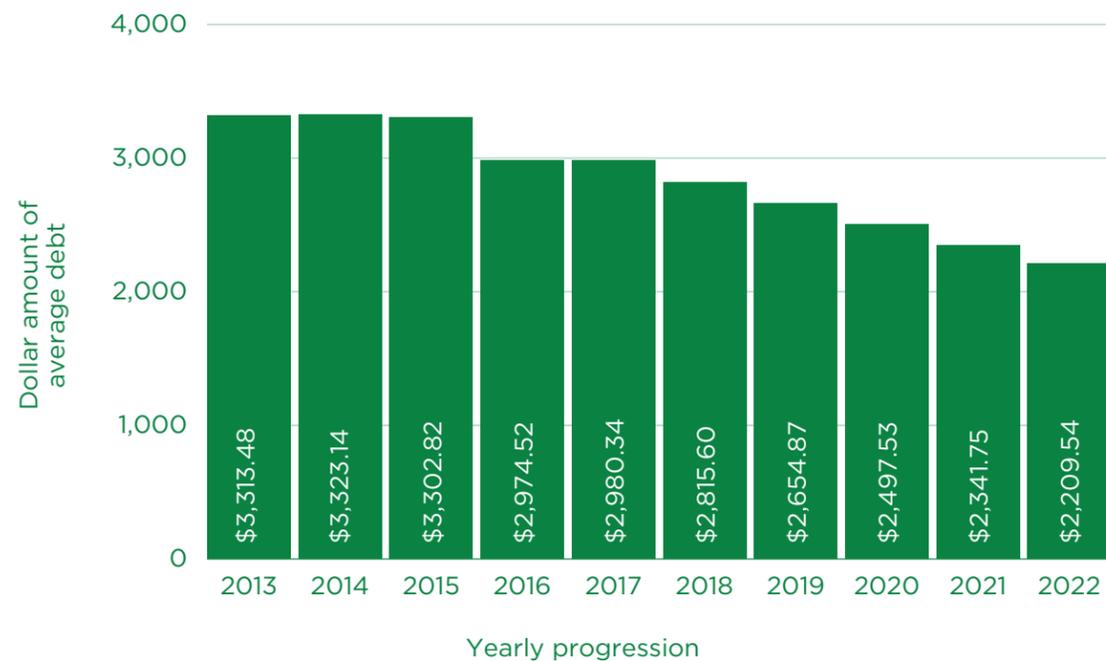
Maintain strong financial health



2003-2022 CAPITAL CREDITS PAID TO MEMBERS



LONG-TERM DEBT PER MEMBER

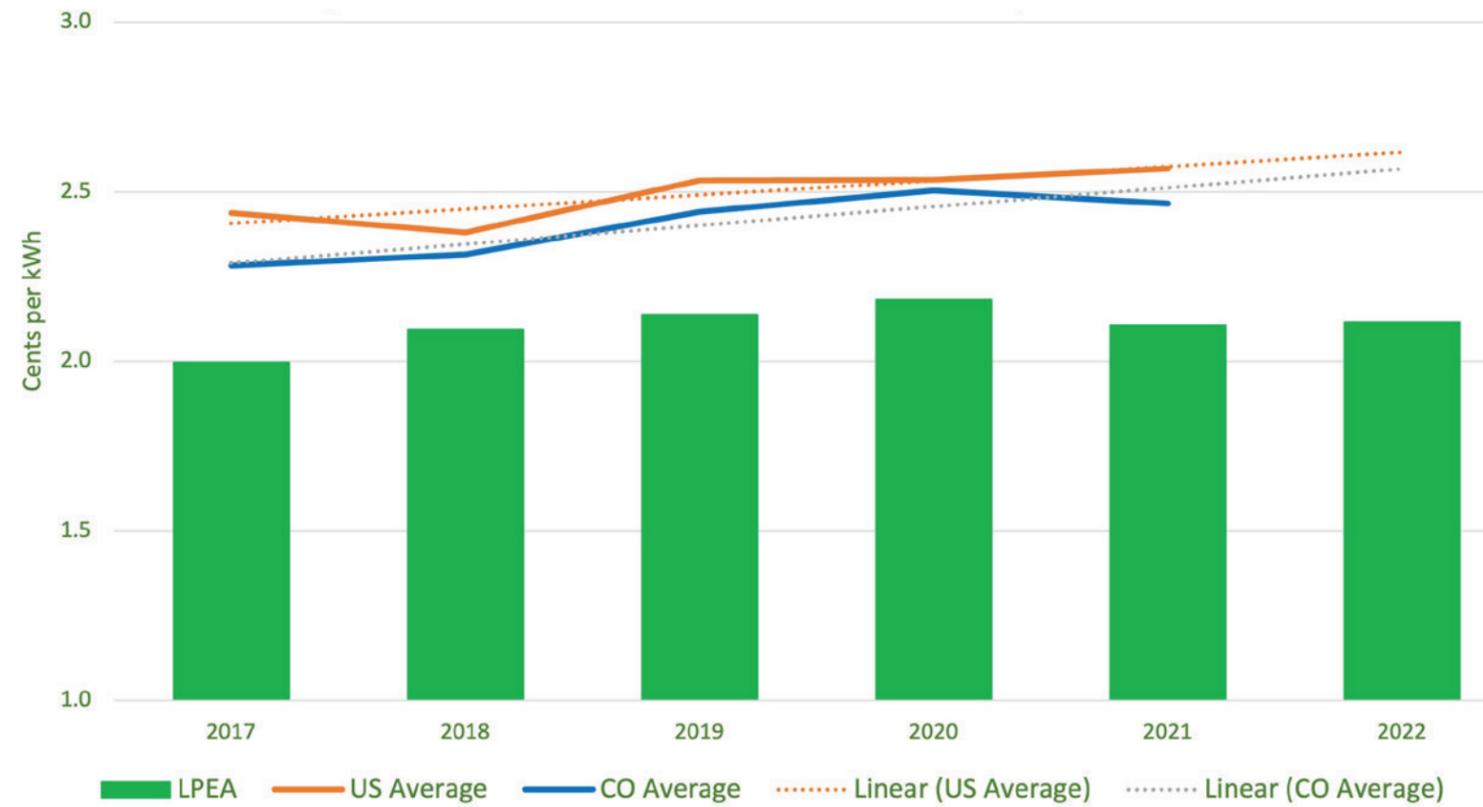


LPEA OPERATIONS, MAINTENANCE AND ADMINISTRATIVE COSTS PER kWh SOLD

This chart shows the money LPEA spends to bring each kWh of electricity to its members, compared to the averages for both the US as a whole and for Colorado. These are costs that LPEA management can control and do not include our largest expense - the cost of power from Tri-State.

We have maintained our costs at a level lower than the national and state averages and even reduced them since 2020 despite inflationary pressure. We have done this by finding efficiencies and innovative solutions, while maintaining and improving safety and reliability.

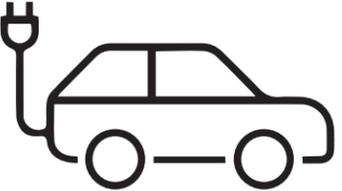
Although the difference between LPEA's number and the average is only a fraction of a cent, bear in mind that we supply close to a billion kWh each year to our members. If we were "average", we would be spending an extra \$4m each year.

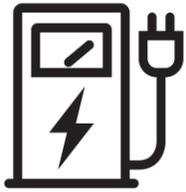


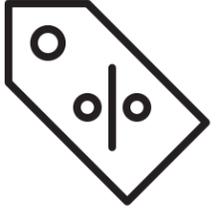
The 2022 data for US and Colorado averages have not yet been published, so we have added a predictive trend line for what those will likely show.

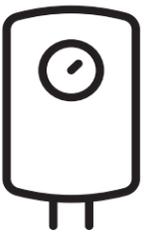
Prepare for the future



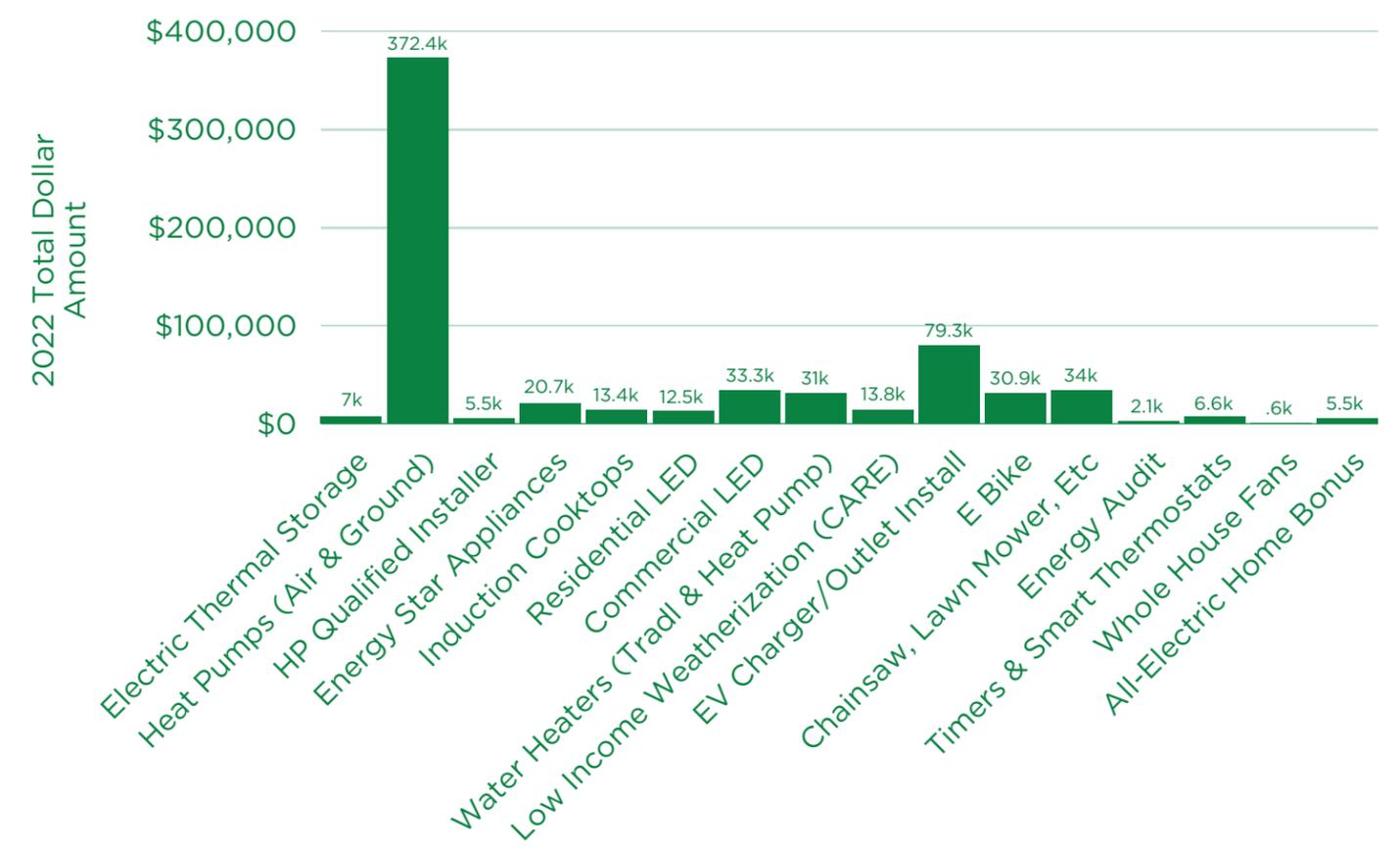
 **80**
EV HOME CHARGERS ADDED

 **2**
MOST-USED FAST-CHARGERS IN CO

 **30%**
INCREASE IN REBATES

 **20**
GRID-ENABLED WATER HEATERS MANAGED

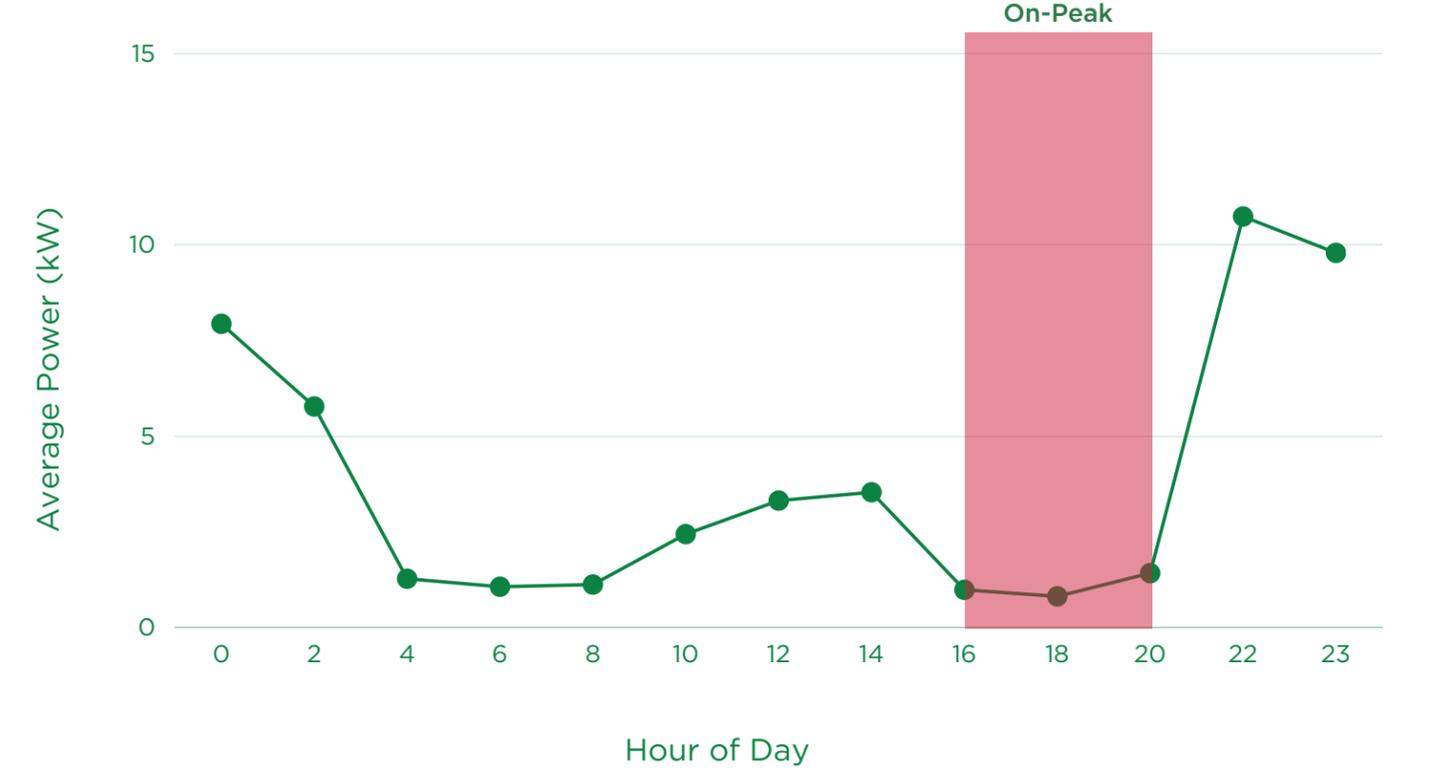
2022 REBATE TOTALS



ACTIVITY HIGHLIGHTS

- LPEA partnered with state and federal leaders and policymakers to support and obtain grants to replace an old Durango School District 9-R school bus with new vehicle-to-grid technology and implement a pilot project to test the remote management abilities of 20 heat pump water heaters. Both of these projects are the building blocks that will allow LPEA to manage its capacity requirements to avoid expensive system improvements and costly peak power purchases.
- LPEA issued 30% more rebates than in 2021 and 80% more than in 2020. The largest increases were heat pumps, outdoor power equipment, induction cooktops, smart thermostats, and water heaters.
- LPEA hosted four in-person webinar events on beneficial electrification and the role we are playing to prepare our grid to avoid future capacity constraints.
- LPEA surpassed our goals related to cumulative beneficial electrification sales in our area.
- LPEA's electric vehicle fast-charging stations in Pagosa Springs and Durango are the two most-used state corridor charging stations in Colorado.
- LPEA added 80 electric vehicle chargers to our home charging program.
- LPEA successfully decreased EV charging during peak times to avoid the need for expensive grid upgrades and avoid expensive on peak power purchases thereby decreasing power costs for all our members.

AVERAGE DAILY POWER DEMAND OF LPEA MANAGED EV CHARGER

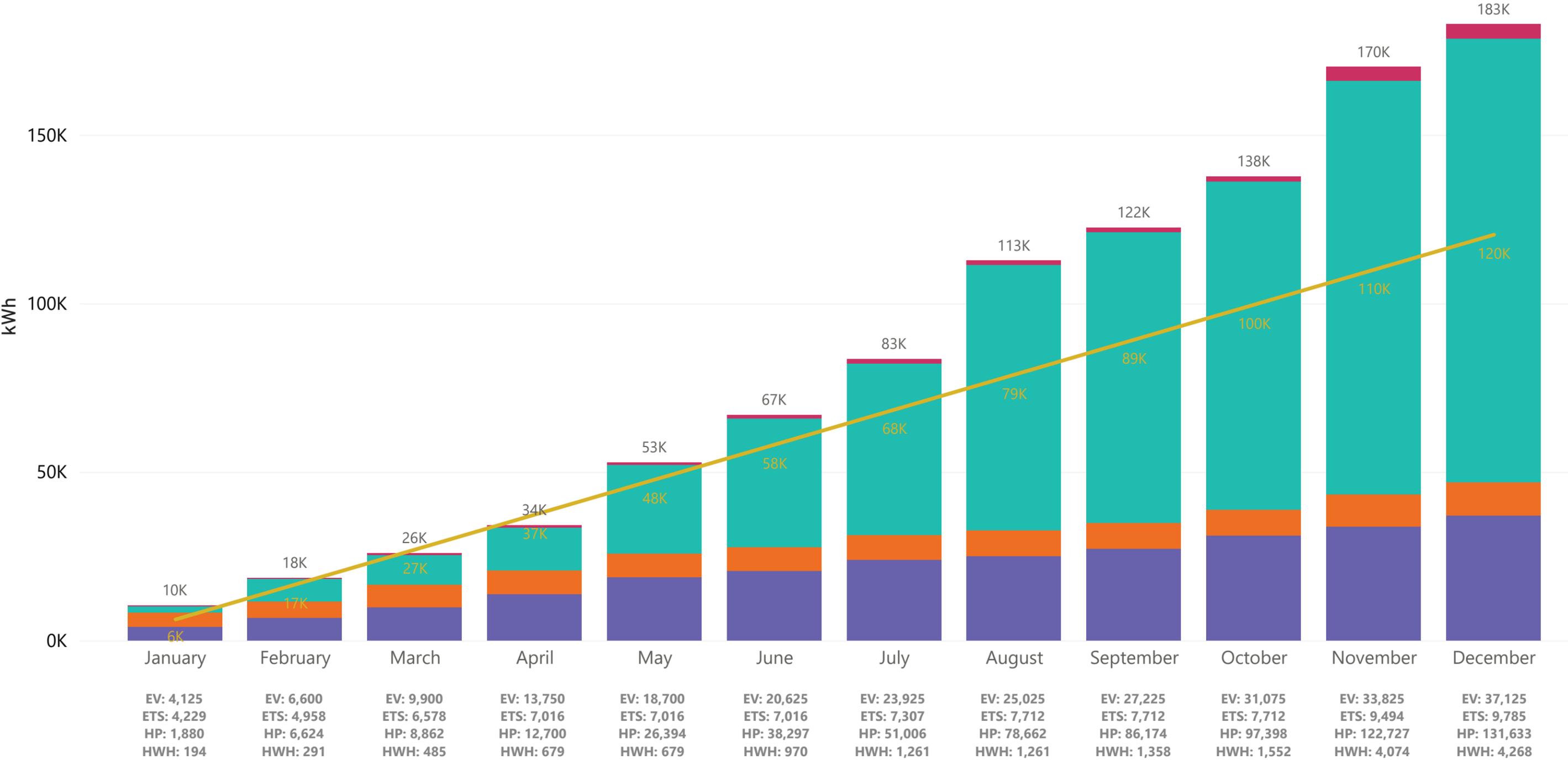


Prepare for the future



2022 BENEFICIAL ELECTRIFICATION SALES

● EV kWh ● ETS kWh ● Heat Pump kWh ● Hybrid Water Heater kWh ● Goal

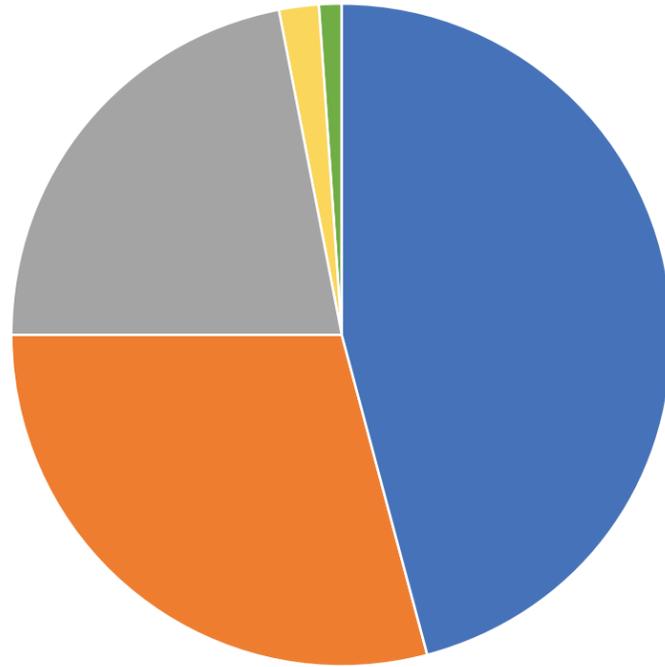


Appendix



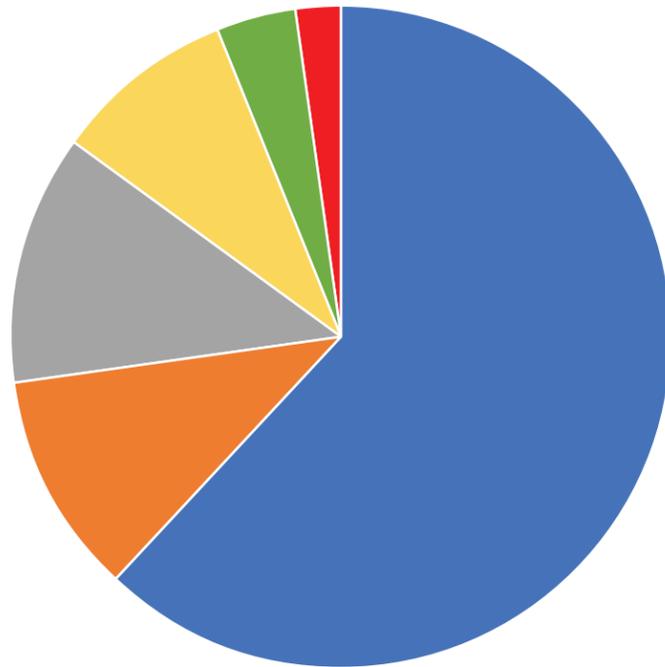
Financials at a Glance

REVENUE



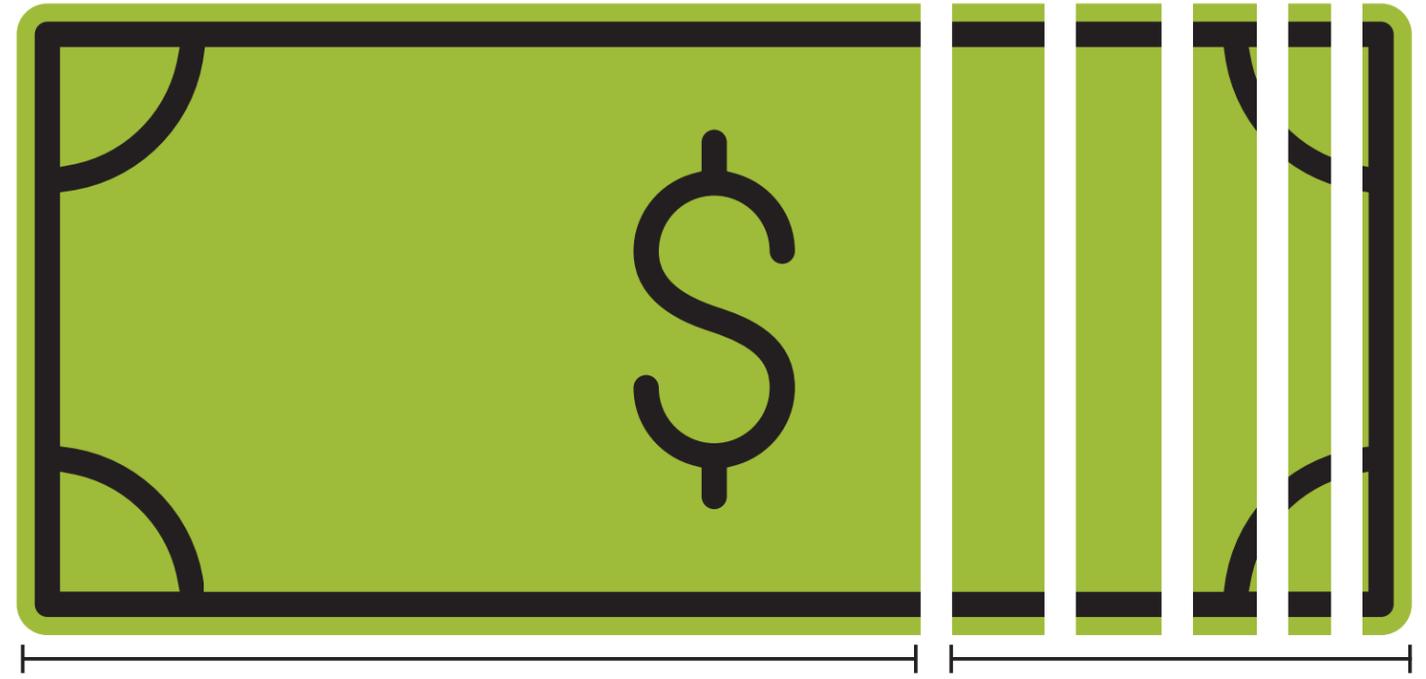
Residential	\$50,773,189	46%	Other Operating Revenues	\$1,726,290	2%
Small Commercial	\$31,744,698	29%	Other Allocations & Income	\$1,506,571	1%
Large Commercial	\$26,130,393	22%	Tri-State Allocations	\$0	0%

EXPENSES



Cost of Power	\$68,506,034	62%	Plant Costs	\$9,961,767	9%
Operating Costs	\$12,302,808	11%	Cost of Borrowing	\$4,169,384	4%
Administrative Costs	\$13,400,208	12%	Net Margins	\$2,034,371	2%

HOW YOUR ENERGY DOLLAR IS SPENT



62¢
Cost of Power

38¢*
Other Costs

*11¢ Operational Costs, 12¢ Administration Costs, 9¢ Plant Costs, 4¢ Cost of Borrowing, 2¢ Net Margin



Consolidated Balance Sheet

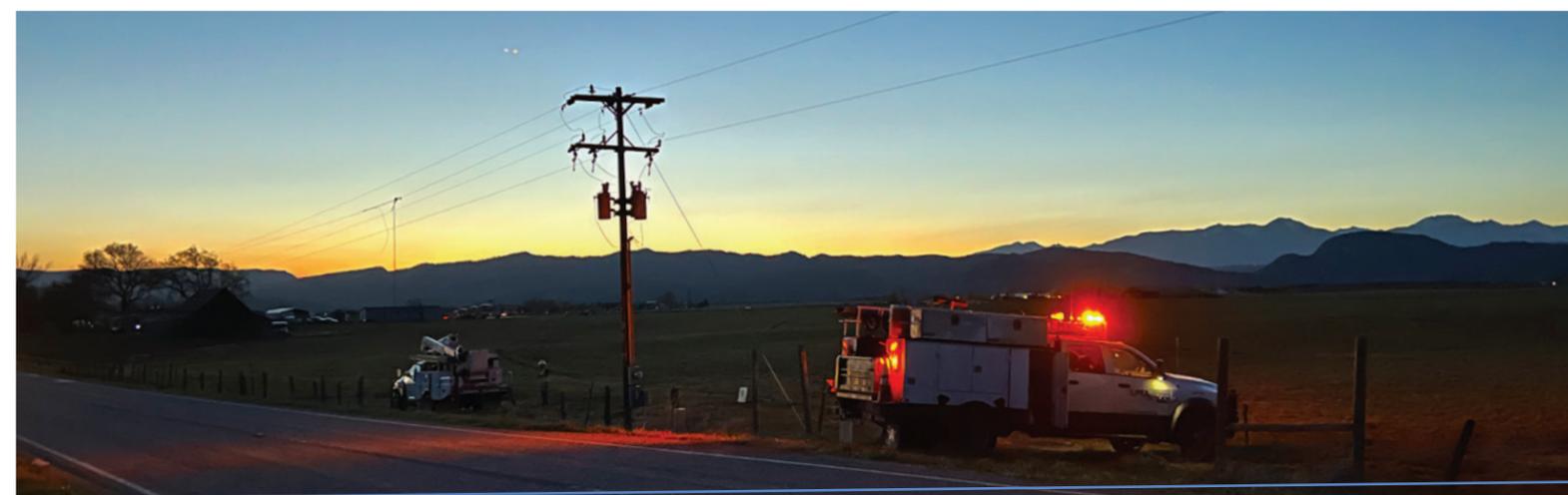
Year ending December 31, 2021 and 2022.

	2022	2021
Assets		
Utility Plant & Nonutility Plant, Net	\$ 170,332,959	\$ 171,300,981
Investments, at Cost; Other Assets and Other Property	79,480,192	84,060,309
Current Assets		
Cash & Cash Equivalents	14,859,146	13,928,289
Certificate of Deposit	521,000	249,948
Marketable Securities	1,740,335	2,094,316
Accounts Receivable, less allowance for doubtful accounts; 2022 - \$77,065 and 2021 - \$ 91,849	12,956,968	12,108,639
Contract Assets	10,595	4,650
Materials & Supplies	3,157,495	1,928,920
Prepayments & Other Assets	1,000,830	687,860
Total Current Assets	34,246,369	31,002,622
Deferred Debits		
Regulatory Assets and Rights-of-Way Other	4,819,003	5,075,541
	91,843	89,708
	4,910,846	5,165,249
Total Assets	\$ 288,970,366	\$ 291,529,161
Liabilities and Equity		
Equities		
Patronage Capital	\$ 148,723,107	\$ 151,554,259
Donated Capital	26,242	17,901
Total Association Equities	148,749,349	151,572,160
Noncontrolling Interest	2,704,226	2,669,740
Total Margins & Equities	151,453,575	154,241,900
Long-Term Debt	101,281,694	105,772,011
Current Liabilities		
Current Maturities Long-term Debt	5,490,651	5,494,313
Accounts Payable	7,425,212	7,066,106
Contract Liabilities	12,107	9,129
Accrued Expenses	4,305,856	4,525,329
Accrued Taxes	1,648,751	1,571,163
Consumer Deposits	701,346	875,695
Total Current Liabilities	19,583,923	19,541,735
Deferred Credits	16,651,174	11,973,515
Total Liabilities and Equity	\$ 288,970,366	\$ 291,529,161

Consolidated Statements of Margins

Year ending December 31, 2021 and 2022.

	2022	2021
Operating Revenue		
Electric Energy Revenue & Gross Sales	\$ 109,513,910	\$ 106,160,125
Miscellaneous Revenue	6,218,765	6,199,018
Total Operating Revenue	115,732,675	112,359,143
Operating Expenses		
Cost of Power & Goods Sold	69,483,172	67,301,343
Transmission	712,875	797,240
Distribution	9,302,273	8,858,650
Maintenance of Distribution Plant	3,976,389	3,523,318
Accounting & Collection Expenses	1,411,536	1,494,456
Other Customer Expenses	3,219,203	3,035,153
Administrative & General	7,187,721	7,056,419
Depreciation & Amortization	10,964,050	10,823,888
Total Operating Expenses	106,257,219	102,890,467
Operating Margins Before Fixed Charges	9,475,456	9,468,676
Fixed Charges		
Less Interest on Long-Term Debt	(4,169,384)	(4,159,142)
Operating Margins After Fixed Charges	5,306,072	5,309,534
Generation & Transmission & Other Capital Credits	1,050,130	1,931,934
Operating Margins	6,356,202	7,241,468
Nonoperating Margins		
Interest Income	(44,892)	323,826
Other Revenue	(2,631,642)	85,449
Total Nonoperating Margins	(2,676,534)	409,275
Net Margins Before Income Taxes	3,679,668	7,650,743
Provision for Income Taxes	55,654	233,444
Net Margins	3,624,014	7,417,299
Less Net Margins Attributable to Noncontrolling Interest	(34,486)	(181,242)
Net Margins Attributable to the Association	\$ 3,589,528	\$ 7,236,057



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 sixth largest of 22 cooperatives in Colorado, serving approximately 35,966 members and more than 48,390 meters.

HEADQUARTERS

45 Stewart Street
Durango, CO 81303

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.

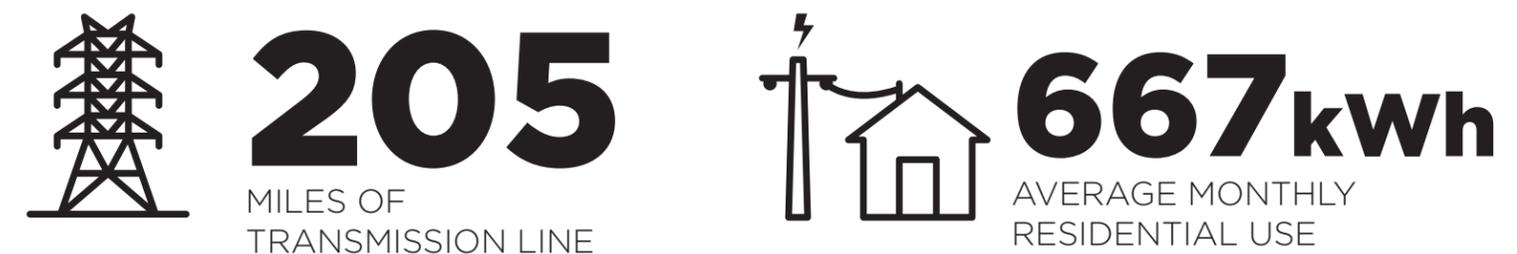
POWER SUPPLY

Tri-State Generation & Transmission Association is a not-for-profit cooperative power supplier with 45 members, including 42 electric distribution cooperatives and public power districts across the West. With its members, Tri-State provides power to more than one million consumers in Colorado, Nebraska, New Mexico, and Wyoming. Tri-State provides regional high-voltage transmission facilities and delivers power to substations for LPEA to distribute to local cooperative members.

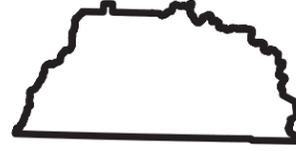
ENERGY RESOURCE MIX

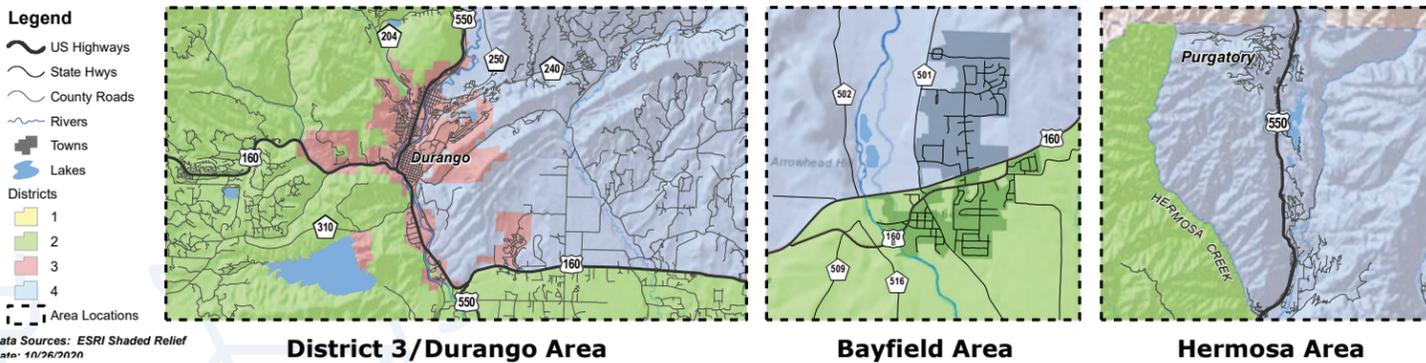
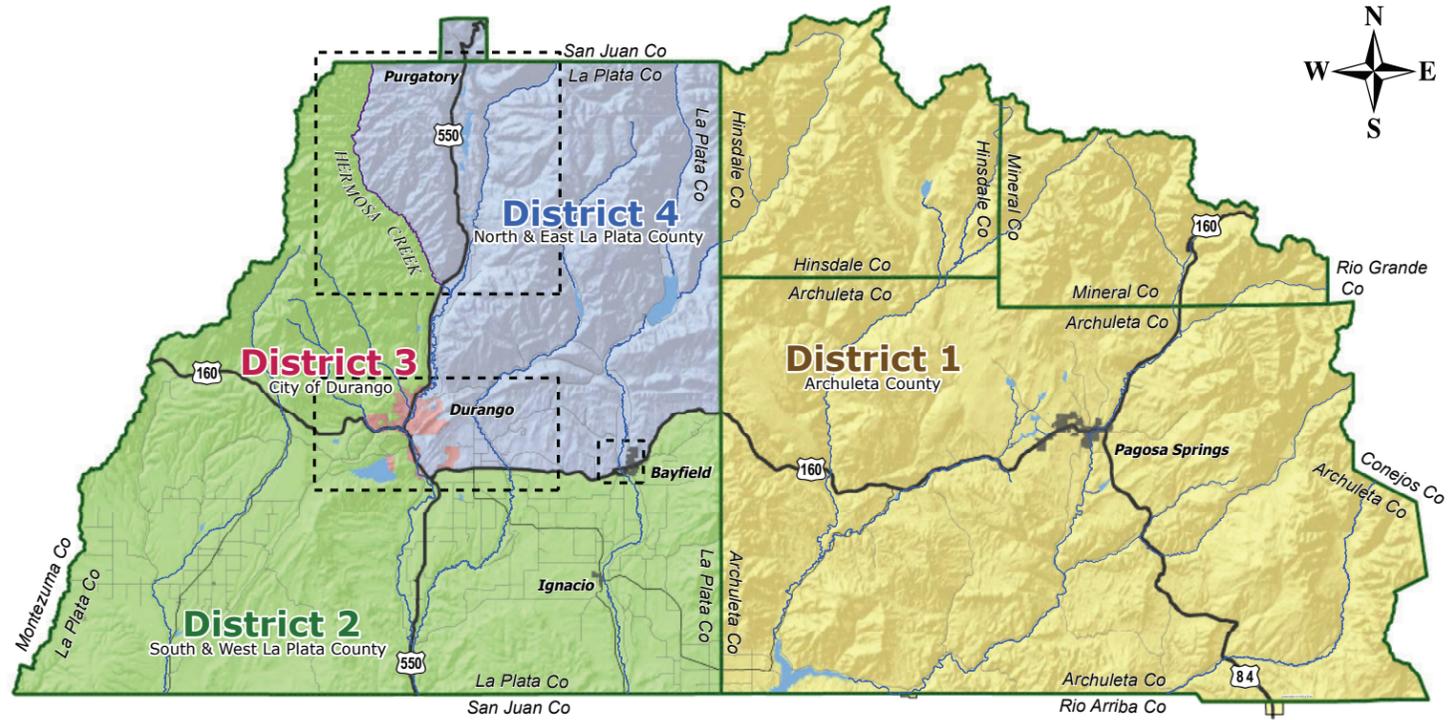
Tri-State has a diverse power supply with a rapidly increasing renewable energy portfolio. With the addition of two new wind farms in 2021, approximately

34% of the energy Tri-State's members consume came from renewable energy in 2022, and with the addition of six new solar projects, renewables will be 50% of energy consumed by members in 2025. In 2022, coal represented 45% of energy consumed, with natural gas and fuel oil at 7%, and contract and market purchases at 14% of energy consumed. In 2022 Tri-State used coal (35%) and natural gas (18%) as their primary fuel sources in the generation of electricity for LPEA's members. Renewable energy (33%) is a critical secondary resource achieved through a mixture of solar projects, wind farms, hydropower, heat, and methane recovery in Colorado, New Mexico, and Wyoming. Market purchases (14%) account for the additional energy resource mix.



Our Service Area


5 COUNTIES
 
3,531mi² OF SERVICE 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

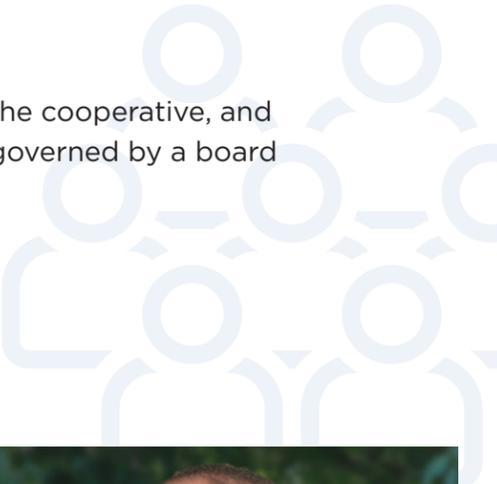


Elizabeth Howe
VP of Administrative Services

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.

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 1: ARCHULETA COUNTY



Bob Lynch



Kirsten Skeehan



Holly Metzler

DISTRICT 3: CITY OF DURANGO



Rachel Landis



Joe Lewandowski



Ted Compton

DISTRICT 2: SOUTH + WEST LA PLATA COUNTY



Kohler McInnis



Dan Huntington |
Board Secretary



John Lee Jr.

DISTRICT 4: NORTH + EAST LA PLATA COUNTY



Tim Wheeler | Board VP



Sue McWilliams |
Board Treasurer



John Witchel | Board President

Phone Hours

Monday - Thursday
7:00 a.m. - 6:00 p.m.

(970) 247-5786

Office Hours | Durango

Monday - Thursday
7:30 a.m. - 5:30 p.m.

45 Stewart St.
Durango, CO 81303

Office Hours | Pagosa

Monday - Thursday
7:00 a.m. - 5:30 p.m.

603 S 8th St.
Pagosa Springs, CO 81147

