

LA PLATA ELECTRIC ASSOCIATION, INC.
Board of Directors' Minutes of Meeting
Wednesday, October 18, 2017
Durango, Colorado

I. CALL TO ORDER

The regular monthly meeting of the Board of Directors of La Plata Electric Association, Inc. was held Wednesday, October 18, 2017 at the headquarters building in Durango, Colorado. President Montoya called the meeting to order at 9:00 a.m., with the following Directors present:

Mike Alley	Dan Huntington	Kohler McInnis
Karen Barger, Secretary		Davin Montoya, President
Britt Bassett	Bob Lynch, Vice President	Jack Turner
Bob Formwalt,		Guinn Unger

LPEA STAFF:

Mike Dreyspring, Chief Executive Officer
Dennis Svanes, Chief Financial Officer
Dan Harms, Manager of Rates, Technology and Energy Policy
Ron Meier, Manager of Engineering, Member Relations and Marketing
Linda Looman, Manager of HR and Customer Service
Justin Talbot, Manager of Operations
Shay Denning, LPEA General Counsel
Curt Marlatt, Line Superintendent
Bret Cochran, Superintendent of Regulatory Compliance, and Safety

EXCUSED ABSENCE: Rachel Landis, Doug Lyon, C. E. Charistopoulos, Executive Assistant

GUESTS (from sign in sheet): The following guests were present: Christie Schler, Elsa Inm, Mark Pearson, Michael Bell, Susan Atkinson, Richard Fultner, Sarah Ferrell, Lissa Ray, Ron Bishop, Jenn Wheeling, Laurie Dickson, Tony Hudspeth, Betsy Romere, Harry Riegle, Tim Wheeler, Gene Fisher, Ann McCoy Harold, Lori Schell, Kristin Jensen, Kevin Hall, Dirk Nelson, Dave Peters, Mayor Dick White, Mayor Pro Tem Sweetie Marbury, City Councilors Dean Brookie, and Melissa Youssef, City Manager Ron LeBlanc, Assistant City Managers Amber Blake and Kevin Hall, Sustainability Coordinator, Imogene Ainsworth

Justin Talbot led the Board, Staff, and guests in reciting the Pledge of Allegiance.

I. APPROVAL OF AGENDA

President Montoya addressed the October 18, 2017 Board meeting agenda.

Motion: Director McInnis moved to approve the agenda as presented. Motion seconded and carried without dissent.

II. MEMBER COMMENTS AND CONCERNS

Member, Ron Bishop – The Board is polarized and does not treat the cooperative membership equally. It is unbalanced to say that solar brings so much money to the County when Tri-State employs many people in La Plata County and contributes to the tax base. The City of Durango is pushing solar, and his winter electric bill jumps to over \$400 per month to care for his animals. Natural gas in the city limits keeps rates down, so the rural consumer takes a beating.

Member, Tim Wheeler – addressed the denial of his request for information under Policy 117, stating that the confidentiality criteria of policy of 117 which is undefined and left to the discretion of the CEO and Board. He brought the 2-page release of information from a Montana cooperative which seems simple and straight forward, listing only 4 items of exclusion. Frustrated by the lengthy process and unnecessary hurdles of LPEA, Wheeler suggested revising the policy stating that, as an owner of LPEA he is frustrated that he cannot get analysis, operating data, documentation from his Staff at LPEA regarding the information provided by Kit Carson Electric Cooperative (KCEC).

CEO Dreyspring advised that when KCEC CEO, Luis Reyes discussed their buyout arrangements with Tri-State and Guzman, he stated that the information he would be sharing from that conversation was subject to an NDA between KCEC and Tri-State. On that basis, CEO Dreyspring felt committed to honor the confidentiality of that conversation. Dan Harms did a summary of the rate impact and financing of the arrangement between KCEC and Guzman and Tri-State, and sent it to Reyes for confirmation, and has not had a response yet. LPEA is concerned about their level of commitment to honor the NDA, and is not open to share any information on that basis.

Member, Lissa Ray – repeated and renewed her requests to record the Board meeting for member benefit and transparency, and to use Unclaimed Capital Credit (UCC) funds for capital improvements like a full engineering study to evaluate the LPEA grid system and hosting capacity in 2018. Montoya advised that no money is currently available in the UCC fund.

Member, Susan Atkinson – spoke on behalf of Sarah Kelly and the Durango EV Enthusiasts group to invite any Director to attend a monthly meeting, held on the first Monday evening of the month from 6:30-8:30 p.m., location TBD. CEO Dreyspring offered the LPEA multipurpose room for use, and expressed a desire to attend. Atkinson addressed Director Unger’s September presentation and the gradual increase in price of fossil fuels, the gradual decrease of renewable energy, and the large disparity between the two over time. Atkinson is concerned with being tied to Tri-State and the rising costs of fossil fuel while the cost of renewables are on sharp decline, and requested a subcommittee be formed to devote research to this. Montoya advised that LPEA public workshops have shown that nuclear and coal powered energy are necessary for back up energy, Staff is very knowledgeable and is involved in

following the issues and trends, and the Board as a whole will be involved in following the issue rather than a subcommittee.

Member, Sarah Ferrell – shared how she struggles to pay her electric bill and expressed concern with pursuing alternatives to Tri-State. She is concerned that the buyout price will be divvied up among members who will then have to pay a non-member price for power stating, *Renewable energy is great, but let's get it when it is as cost effective and reliable as what Tri-State sells.* Tri-State produces 26% renewable energy at no cost to members, and we should get behind Tri-State rather than increasing our bill just to see what will work. LPEA pays 12 cents to members for their solar energy, and LPEA pays 5 cents to Tri-State. Solar is not reliable as a stand-alone energy source, and she questioned why LPEA would pay more for less reliability.

Member, David Peters – retired from 30 years in domestic and international energy business, worked in oversight of energy generation plants, and reviewed air emissions reports for submittal to the state and EPA, explained that determining the price of electricity is complex and consistently misquoted. Citing the cost of solar power at 4.3 cents per kwh does not tell the whole story. The capital cost of any power source is called the levelized cost of capital, and when the cost of solar is levelized it becomes the highest costing source of power. Power plant load factors (the percentage of time the power plant is online) must be included into the cost of electricity.

Solar and wind have very low reliability factors, especially in this terrain. The timing of the solar supply versus the demand is out of balance, and utility companies must provide natural gas and coal powered back up for all renewable power. This raises the cost of solar power to over 300% of natural gas and coal power. Air emissions is another issue with renewable power, because when solar and wind power comes online, other power sources must be backed off. Coal plants take a long time to start up and shut down, which means that the much cleaner burning natural gas fire tap is shut down instead.

With the growth of renewable power, the power supply is becoming much more erratic, and is compounded by the fact that peak solar supply does not meet peak demand time. Conventional power plants have to cycle up and down every day, several times a day, making the air emissions go up significantly just to accommodate solar, the increased emissions offset a lot of the savings that come from solar. Until mass storage of electricity is available to balance out the supply and demand, renewables are expensive and not very clean when you look at the overall power supply requirement. Peters urged the Board to fully research their efforts to ensure that what they are pursuing will be effective because renewables are not an effective way to reduce emissions.

Member, Mark Pearson – suggested that LPEA look at City of Aztec electric utility who did not renew with PNM, and sought greater flexibility to have a more diverse portfolio and signed up with Guzman to cut the cost of electricity to customers in Aztec. Driven by a desire to lower the cost of energy to customers, Aztec built a 1 MW solar facility, and will go from 85% dependent on fossil fuels, down to 15% over the next few years. The City of Bloomfield and the Jicarilla Apache are looking to move in the same direction. Pearson asked LPEA to speak with the expertise in the area stating, *It doesn't have to be hypothetical, there are real numbers available.*

III. CONSENT BOARD ITEMS.

President Montoya addressed the Consent Board Items.

Motion: Director Barger moved to approve the Consent Board Items: accepting new members, capital credit payments to estates, monthly write-offs, and minutes for the September 2017 Committee of the Whole and Board meeting. Motion seconded, and carried without dissent.

IV. CEO AND STAFF REPORTS

CEO Dreyspring reviewed meetings attended and highlighted that he is reaching out to Ken George, Electric Director for the City of Aztec, Hank Adair of the City of Farmington, and Farmers Electric Cooperative of NM in Bloomfield and looking for ways to cooperate with them.

Dreyspring addressed graphs included in Director Unger's presentation that demonstrated the rising cost of utilities. Batteries and other solar technologies can make solar more productive, but it is essentially an energy offset. The demand cost is missing from the chart and has to be included into the costs depicted on the chart in order for renewables to be integrated into the system. Dreyspring addressed another slide about solar on the SW Palo Verde delivery point outside of Phoenix, advising that transmission and ancillary costs of roughly \$25 per mWh have to be added to the costs, making it somewhat comparable to Tri-State's cost of power.

LPEA is continuing to address members' expectations for deploying additional distributed generation (DG), and will come to terms with the challenges involved. Dreyspring stated, *A big existential threat to LPEA is our price of electricity, and LPEA wants to bring together the opportunities to facilitate the growth of DG and take advantage of the declining prices in renewables.* Dreyspring took questions and will address this challenge and more in the CEO Vision presentation today.

CFO Svanes reported that BKD Auditing Firm finalized the 401(k) audit and Schwab finalized the Form 5500 for the 401(k) plan which were submitted and filed with the Department of Labor prior to the October 15th extension deadline. Svanes reviewed trend analysis for 2016 monthly and YTD forecasts and actual margin trends. The financial forecast for 2018 has been put together with no rate adjustments or increases needed. Svanes took all questions.

Manager of HR and Customer Service, Linda Looman reported on leadership training in Supervisors Roundtable, and Industry Updates with Staff. A Customer Service Supervisor attended NRECA training, and a Pagosa Springs Engineering Clerk has moved into a CSR position and is training in Durango. Ron Meier added that the goal for the Pagosa Springs office is to cross train all CSRs to handle requests for service estimates by contractors, to reduce errors by eliminating "staging off the desk," and to create a better member experience.

Manager of Engineering, Member Relations, and Marketing, Ron Meier reported that a regional LED holiday lighting contest will be pushed out soon, and member engagement with social media saw an uptick as a result of various contests. Meier referred to the Quarterly Construction and Maintenance

report to demonstrate the situations that come into play which create disparities in the Capital Projects Budget numbers when comparing them to the actual costs.

Manager of Rates, Technology, and Energy Policy, Dan Harms reported on innovative conferences attended, the LED street light project is underway and being evaluated before full implementation, and the City of Durango is revamping their lighting code and will take input on October 26th public workshop at LPEA.

A residential demand workshop hosted by Oklahoma statewide cooperative association, and NISC reported that 54 of 600 coops have implemented a residential demand rate. Director McInnis noted that Tri-State is paying for the full cost of the EV charging station in Pagosa Springs, and 50% of the installation cost. 4CORE Program Manager, Laurie Dickson, added that an intermediate level charging station is anticipated for the Smiley Building, and now that the Colorado Energy Office is back up and running, 4CORE will be working with them significantly on implementing level 3 charging throughout the region with CDPHE funds. Discussion ensued on EV incentives and offering cold climate heat pumps.

Manager of Operations, Justin Talbot reported on September construction jobs, and an unplanned outage in Tamarron due to member tree clearing. Talbot discussed 21 major outages affecting 18,948 customers, noting that 2017 outages for this quarter were significantly less than in 2016 due to better weather and excellent system maintenance. Talbot reviewed the OSHA accident summary with 2 non-recordable accidents, 3 recordable accidents, and 1 vehicle accidents, noting 0 lost time accidents and 0 lost days. The Operations team has completed training in NISC Work Management, and Fire Extinguisher Training, and is scheduled for upcoming training in Pole Top Rescue, Avalanche Awareness/Winter Safety Training, and NERC Training and Reporting.

Bret Cochrane, Superintendent of Regulatory Compliance, and Safety, reviewed the evacuation process and advised of the location of fire extinguishers and AEDs. The Board President will review the emergency procedures at the start of each Board meeting for the benefit of all in attendance.

V. ITEMS REQUIRING BOARD ACTION

LPEA POLICY REVIEW AND POSSIBLE APPROVAL: POLICY 311 MANAGEMENT AND ACCOUNTING PERSONNEL VACATIONS – CFO Svanes addressed his recommendation to replace Policy 311 Management and Accounting Personnel Vacations, with Policy 402 Mandatory Vacation Requirement and took all questions. There was consensus among the Board to revise the policy title to *Mandatory Absence Requirement*.

Motion: Director Turner moved to replace Policy 311 Management and Accounting Personnel Vacations, with Policy 402 Mandatory Vacation Requirement with approved change to the policy title. Motion seconded and carried without dissent.

LPEA POLICY REVIEW AND POSSIBLE APPROVAL: POLICY 117 MEMBER REQUESTS FOR COOPERATIVE INFORMATION – Attorney Denning addressed recommended revisions to Policy 117 Member Requests for Cooperative Information, and took all questions. There was consensus among the Board to delay discussion of Policy 117 until November.

RESOLUTION 2017-11 CAPITAL CREDIT RETIREMENTS – CFO Svanes addressed Resolution 2017-11 Capital Credit Retirements and took all questions.

Motion: Director Formwalt moved adopt Resolution 2017-11 Capital Credit Retirements. Motion seconded and carried without dissent.

REVIEW AND ESTABLISH 2018 BUDGET AND REVENUE REQUIREMENTS – CFO Svanes discussed Budget adjustments in the area of Operations and major Assumptions, meeting Strategic Plan O&I standards within the budget, and maintaining the Debt Covenants and the Modified Debt Service Coverage ratios. Dan Harms addressed Load Forecast Assumptions that drive the Revenue forecast, noting that although kWh’s, Revenues, and Cost of Power are up significantly, LPEA Operating Margins are thin because margins from Industrial customers are thin. A Financial Summary showed Total Revenue of \$110 million, Cost of Power of \$74 million, Operating Margins of \$1.2 million, and Capital Patronage Margins of \$5.3 million. Svanes recommended no change to the 2018 rates, and requested that the Board approve the budget and adopt Resolution 2017-12 Financial Forecast & Capital Budgets in November.

POLICY 117 REQUEST FOR INFORMATION, DAVE PETERS: COPY OF TRI-STATE CONTRACT– The Board expressed no concerns with approving the Peters request, and discussed making the Tri-State Contract available online. CEO Dreyspring advised that making the contract available on the website would introduce members to unwanted solicitations, but he is happy to allow members access to the Contract directly.

Motion: Director McInnis moved to approve the Policy 117 Request for Information by Dave Peters. Motion seconded and carried without dissent.

DIRECTOR EXPENSE APPROVAL – Director Barger reported the Director expense items to be reimbursed.

LPEA Mileage Reimbursements

Mike Alley	\$128.40	Bob Lynch	\$128.40
Karen Barger	\$27.82	Doug Lyon	\$0.00
Britt Bassett	\$00.00	Kohler McInnis	\$17.12
Robert Formwalt	\$64.20	Davin Montoya	\$37.45
Dan Huntington	\$51.36	Jack Turner	\$28.89
Rachel Landis	\$00.00	Guinn Unger	\$55.64

LPEA Board Meetings

Mike Alley	\$1400.00	Bob Lynch	\$1400.00
Karen Barger	\$1400.00	Doug Lyon	\$00.00
Britt Bassett	\$1400.00	Kohler McInnis	\$1400.00

Robert Formwalt	\$1200.00	Davin Montoya	\$1400.00
Dan Huntington	\$1400.00	Jack Turner	\$1325.00
Rachel Landis	\$00.00	Guinn Unger	\$1400.00

Other External Meetings

Mike Alley	\$00.00	Bob Lynch	\$00.00
Karen Barger	\$00.00	Doug Lyon	\$00.00
Britt Bassett	\$00.00	Kohler McInnis	\$00.00
Robert Formwalt	\$00.00	Davin Montoya	\$00.00
Dan Huntington	\$00.00	Jack Turner	\$00.00
Rachel Landis	\$00.00	Guinn Unger	\$00.00

Motion: Director Turner moved to approve Director expenses as presented. Motion seconded and carried without dissent.

VI. 11:30 A.M. HOSTING DURANGO CITY MANAGER, COUNCILORS, AND STAFF

Mayor Dick White thanked LPEA for the work session and introduced Mayor Pro Tem Sweetie Marbury, City Councilors Dean Brookie, and Melissa Youssef, City Manager Ron LeBlanc, Assistant City Managers Amber Blake and Kevin Hall, Sustainability Coordinator, Imogene Ainsworth, and City Attorney, Dirk Nelson. LPEA Directors and Staff introduced themselves to the City Council.

Sustainability and Climate Protection is one of the City’s top five priorities, and the City is moving forward by taking advantage of energy efficiency programs and taking steps to study the feasibility of placing a solar array on top of the new water treatment plant. The City of Durango has joined the Compact of Colorado Communities-a collaboration of information sharing with communities who share a common goal of moving toward a future that is less dependent on fossil fuels. Local economic development is also a driver in the push for distributed generation (DG), and the citizens of Durango delivered a petition asking the City to achieve 100% renewable energy by 2050, and 80% renewable energy by 2030.

Discussion ensued on the challenges of implementing community projects (such as solar gardens) given rate structures designed to achieve parity across classes and the limitations of LPEA’s current hosting capacity, public safety issues around natural disasters and the need for emergency stand-by power, battery storage as a technological solution to grid limitations, and the high costs of community renewable projects and where the burden of responsibility falls for funding.

City Manager LeBlanc compared the water and sewer infrastructure limitations with LPEA’s grid limitations, and Staff discussed economic, physics, and policy issues related to DG implementation. The City is very pleased with the energy efficient street lighting, and LPEA Lighting Project Specialist, Ray Pierotti spoke to the level of detailed attention given to security, ambiance, dark skies, and biological considerations when choosing how sections of the community are lit.

There was a favorably received recommendation to place a report from the LPEA-City of Durango Franchise Agreement, Section 21- an annual itemized list of actions that LPEA will give to the City, and

what LPEA has done the previous year to improve energy efficiency and increase the use of renewable power-on both the LPEA and City of Durango websites.

VII. ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION

CEO VISION FOR LPEA – CEO Dreyspring presented his long-term vision, as requested by the board. Dreyspring’s vision started with the cautionary idea of the farther out we look and plan into the future, the greater exposure to risk it has due to ever increasing technology innovation and the disruption that it brings.

Dreyspring’s vision included a market assessment that focused on LPEA’s average rate per kilowatt-hour, and comparative data that showed LPEA’s electric rates to be in upper ranges when compared with other electric utilities.

A discussion ensued on the CEO’s proposed power supply contract valuation process and the fact that LPEA will continue to seek the best value from its power suppliers for its membership. Dreyspring also spoke to the topic of local renewable growth and expansion can help reduce LPEA’s electric rates.

Dreyspring supported his vision by including data and forecasts from DNV GL (www.dnvgl.com). DNV GL is a research/think tank that considers energy on regional and global scales. DNV GL’s recent outlook to 2050 covers the decarbonization of the energy and electric industry worldwide, electric vehicles and the decoupling of energy from international GDP.

Also presented were the CEO’s ideas for the future of transmission and its relevance/importance to LPEA’s future, with a specific suggestion, subject to the LPEA’s board’s approval of a business plan on or after 2019, forming of a transmission affiliate. Dreyspring also covered the need for broadband service improvement throughout its territory and presented his ideas for how to achieve that through LPEA’s telecom affiliate, FastTrack.

Dreyspring also shared his vision of the impact of the growth of electric vehicles, utility scale and behind the meter storage and its evolutionary development, regulatory advocacy, information systems that enable our membership to have more control of the energy costs along with the potential role of microgrids.

The CEO’s vision covered LPEA’s need to deliver superior service in reliability and member contacts, along with an emphasis on managing costs to maintain stability in its retail rates. The board will begin processing the ideas presented and determine a path forward for the items discussed. It was emphasized that the board may or may not support the individual specific recommendations of the CEO.

VIII. ATTORNEY REPORT

Referring to the written report included in the Board packet, Attorney Denning highlighted work done for LPEA and took all questions.

IX. DIRECTOR REPORTS AND OTHER BOARD ACTIONS

ROUND UP FOUNDATION REPORT – Director Unger advised that three Directors have served one term each and recommended that they be reappointed, and requested District 2 Directors from LPEA to nominate a candidate in November to replace Theresa Campbell who will reach the end of her term. Education Grants were awarded to Be Frank Foundation for \$3,000, and SW CO Math Teachers’ Circle for \$1,000; and Round Up Grants were awarded to Sexual Assault Response Team 6th Judicial District for \$4,600, Lisa Parker’s Puppies for \$300, and Cancer Coalition of SW CO for \$1,000.

TRI-STATE REPORT – Director McInnis reported that the Deputy Secretary of the Interior issued a memorandum shortening document length and amount of time taken for analysis which will greatly impact Tri-State. Kevin McIntyre and Rich Glick were nominated for FERC Chairman and Commissioner, respectively.

CREA REPORT – Director Barger advised that CREA did not meet in September, but will meet October 30th at the Technology Innovations Summit in Denver. On a side note, McInnis disclosed that he accepted a position on the Board of the Colorado Electric Educational Institute a subcommittee of CREA, and did not believe he was in violation of LPEA policy.

WESTERN UNITED REPORT – Director Formwalt reported that 3rd quarter sales were 31% higher than the YTD budget and 21.5% higher than last year, with a \$27 million sales backlog. A small warehouse facility in Salem, UT will be opened on October 1 to provide needed materials to serve the electric public utility accounts in Utah, northeast Nevada and southeast ID territory.

FASTTRACK COMMUNICATIONS REPORT – Director Barger reported that FTC is pursuing new customers and construction projects and that Skywerx was purchased by Mammoth Communications.

X. UPCOMING EXTERNAL MEETINGS

Director Montoya noted that the upcoming external meetings list was mistakenly not included in the Board packet, and entertained travel requests. Director Turner requested to attend CREA on October 29-30 in Denver, and the Energy Transition Meeting, October 30-31 in Fort Collins. Discussion ensued on the Director Travel Budget and interpretation of Policy 109 Director Compensation, per diem and attendance verification.

Motion: Director Bassett moved to approve Director Turner’s requests. Motion seconded and carried 8 to 2, with Directors Montoya and McInnis opposed.

XI. REVIEW OF CEO ACTION LIST

CEO Dreyspring reviewed the list of action items taken from the Board meeting and answered all questions.

XII. EXECUTIVE SESSION

Motion: Director Formwalt moved to enter into executive session to discuss an update on Forest Lakes, and Attorney findings on options for rescinding the Tri-State contract extension. Motion seconded and carried without dissent.

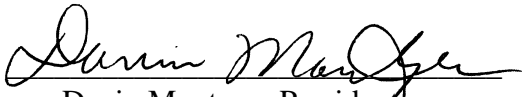
The Board was in executive session from 4:15 p.m. to 5:05. Director McInnis recused himself from the discussion and left the Board room.

XIII. FUTURE AGENDA ITEMS AND COMMITTEE SCHEDULES

Director Unger requested a future agenda item to discuss Pros and Cons of forming a subcommittee for the long range strategic plan, and how the Board can process the CEO vision. Director Turner requested to discuss Director conduct towards women in November in executive session. Director Bassett requested a future agenda item to discuss providing guidance to FastTrack Communications in LPEA service area; as well as, further discussion of Policy 117 Member Request for Cooperative Information.

There being no further business, the LPEA Board of Directors meeting adjourned at 5:25 p.m.

Recorded by C.E. Charistopoulos, and approved by:


Davin Montoya, President


Karen Barger, Secretary