

## MESSAGE FROM THE CEO: PARTIAL CONTRACT OPTION

The latest on LPEA's future power supply discussions



Jessica Matlock, LPEA CEO

Thank you to the more than 500 LPEA members who registered for our virtual town hall meetings in October. We enjoyed engaging with you on LPEA's future power supply options and appreciate your questions and feedback. Given the broad interest, we are dedicating this entire edition of *Watt's Up* to the topic. The following is an overview of what was presented at the town halls, including how this could impact you and next steps.

### BACKGROUND

In August of 2019, the LPEA board passed Resolution 2019-10, requesting that LPEA pursue multiple contract options with Tri-State under a contract that runs through 2050. Tri-State

currently supplies LPEA with 95% of the electricity we deliver to our members. These options included:

1. Amendments to our current contract.
2. A partial exit from the contract.
3. A full exit from the contract.

Since then, LPEA has been actively exploring these options to keep rates affordable, improve reliability, secure more local control, and reduce our carbon footprint (without negatively impacting rates).

### LPEA STRATEGIC GOAL:

*LPEA will strive to reduce its carbon footprint by 50% from 2018 levels by year 2030 while keeping members' cost of electricity lower than 70% of its Colorado cooperative peers.*



### CURRENT STATUS

Option #1 has largely run its course and succeeded in securing permission for LPEA to develop a 2-megawatt community solar garden. Negotiations

also resulted in a 4% decrease over two years in Tri-State's wholesale power rates, part of which we passed through to members as a bill credit or check this past summer.

Option #2 is where we have seen the most recent developments and will be the focus of this article.

As for option #3, we are still in negotiations with Tri-State and the Federal Energy Regulatory Commission (FERC) to negotiate a fair Contract Termination Payment.

### PARTIAL CONTRACT OPTION

Option #2, the partial contract option, would allow LPEA to secure 50% of our power from Tri-State and 50% from other sources. Thanks to a policy developed jointly with Tri-State, LPEA applied for and was granted the right to seek another power supplier for 71-megawatts, roughly 50% of the power we need to supply our service territory. LPEA then issued a Request for Proposal to find this new power supply partner.

## POWER IT FORWARD WITH LPEA'S GIVING TREE

LPEA's Member Services team once again invites you to help those struggling to keep the power on this holiday season. Last year, LPEA members donated more than \$19,000 to help 537 families. Donate funds in one of four ways:

1. Venmo your donation @GivingTree\_LPEA (or scan the QR code).
2. Call us at (970) 247-5786.
3. Pick up a "Giving Tree" envelope at our drive through lanes in Durango or Pagosa, place your donation inside, and put in the payment drop box clearly marked at each office.
4. Give your donation to a member service representative in one of our lobbies.

Donations will be accepted through January 31st, 2022.



venmo

This option would offer a win-win for both LPEA and our current power provider Tri-State. CEO of Tri-State Duane Highley recently stated that “together, we are making great progress on flexible contract options that can be a win-win for LPEA and our member cooperatives, and Tri-State and the generation and transmission cooperative business model.”

After a thorough vetting process, LPEA selected to continue negotiations with Crossover Energy Partners, as they ranked highest in value, flexibility, environmental attributes, reliability of power supply, and financial security. We have not signed a contract, as the board has not yet voted to pursue the partial contract option, but we are continuing discussions with them about a potential future partnership.

#### BENEFITS

Here are some of the benefits we anticipate the partial contract option could deliver:

- Reduced power supply costs – We estimate \$7 million in annual savings, \$35 million savings in the first 5 years, and \$140 million savings over 20 years.
- Increased reliability and resiliency – We will continue to benefit from Tri-State’s reliable transmission grid and add additional transmission accessibility through Crossover’s partners.
- Less carbon – We could decrease our carbon footprint 50%, allowing LPEA to reach our 2030 goal 6-7 years early. That’s the equivalent of

removing 80,000 vehicles from the road each year.

- Continued commitment to community – The new power supply agreement would include \$1 million in local educational grant funds. We would also continue to receive access to Tri-State’s rebate programs and Capital Credit balances.

These benefits represent a significant reduction in LPEA’s expenses which could result in a rate decrease, flat rates well into the future, increased funding for capital improvement or fire mitigation projects, increased Capital Credit retirements to members, or a combination of these measures.

#### NEXT STEPS

There are many moving parts in this process. We are still waiting for final approval of the proposed partial contract methodology from FERC. We are also still negotiating with Tri-State, other cooperatives, and FERC around the Contract Termination Payment as part of option #3. When more information is confirmed, the LPEA Board of Directors will examine all options on the table and vote on a path forward.

**We will continue to keep you updated on our progress. For the latest updates, materials, and FAQs on this process – including the video recordings, presentation slides, and FAQs from our recent town halls – visit [lpea.coop/powersupply](http://lpea.coop/powersupply).**

– Jessica Matlock, LPEA CEO

## 2022 REBATE CHANGES COMING!

Beginning next year, all rebates must be submitted within **90 days of purchase**, reduced from 120 days. That means as of January 1st, purchases or installations made before 10/1/21 will not be eligible for rebates.

To qualify for rebates under 2021 rules, 2021 rebates must be submitted by **December 15th, 2021!** All submissions after this date are subject to 2022 changes. **Questions? Contact your Energy Management team at [rebates@lpea.coop](mailto:rebates@lpea.coop) or (970) 274-5786.**



The latest news, services, programs, and resources from LPEA. Have a question or comment? Email us at [comments@lpea.coop](mailto:comments@lpea.coop).



### BOARD MEETINGS

December 15, 2021  
January 19, 2022  
9 a.m. – 3 p.m.\*

The agenda, access, and location details will be posted online in advance. Public comments are heard at the beginning of the meeting shortly after 9 a.m.

More at: [lpea.coop/lpea-board-directors-resources](http://lpea.coop/lpea-board-directors-resources)



### COMMITTEE MEETINGS

LPEA committee meetings change regularly to accommodate board member schedules. For upcoming meeting dates and times visit: [lpea.coop/board-committees](http://lpea.coop/board-committees)

*All meetings are open to the public. Depending on the latest guidelines around COVID-19, meetings may be held in person, virtually, or both. Visit [lpea.coop](http://lpea.coop) for the most up-to-date details.*



### HOLIDAYS

LPEA will be closed on December 23, 24, and 31 in observance of Christmas and New Year’s. Happy Holidays!



### LPEA GRANTS

The Round Up Foundation Board of Directors approved **3 grants totaling \$7,419.75** in October for the Pine River Historical Society, Animas High School, and Durango Bluegrass Meltdown.