

LPEA

La Plata Electric Association, Inc.

FUTURE POWER SUPPLY UPDATE

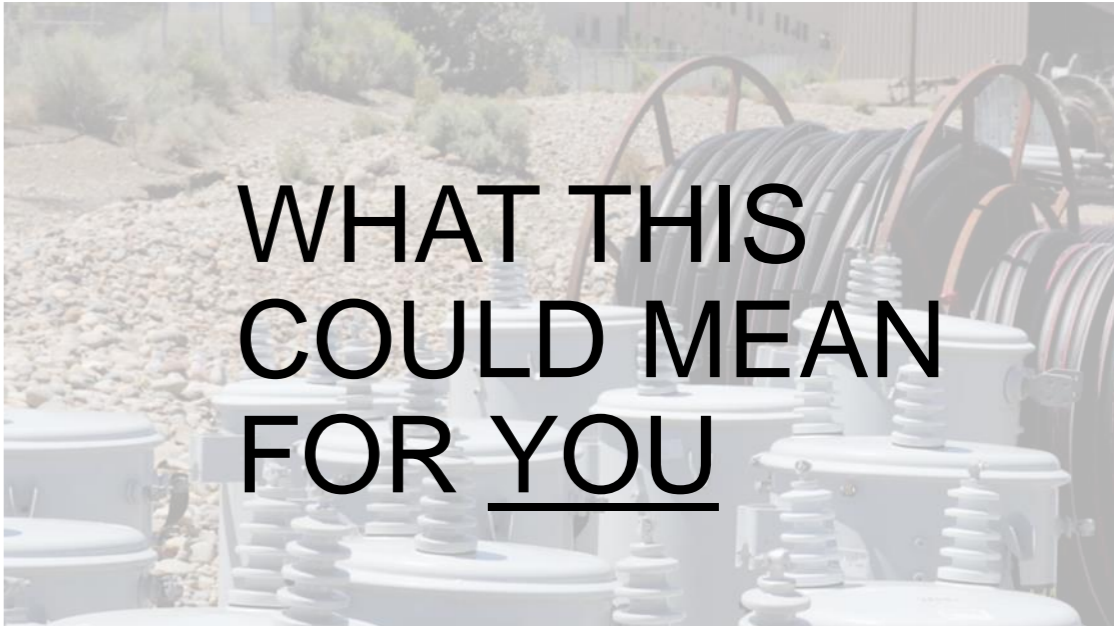




Objectives

- To recap the background of LPEA's power supply explorations to date.
- To outline next steps on the partial contract option.
- To respond to member questions prior to board vote on February 16, 2022.

AGENDA



BACKGROUND



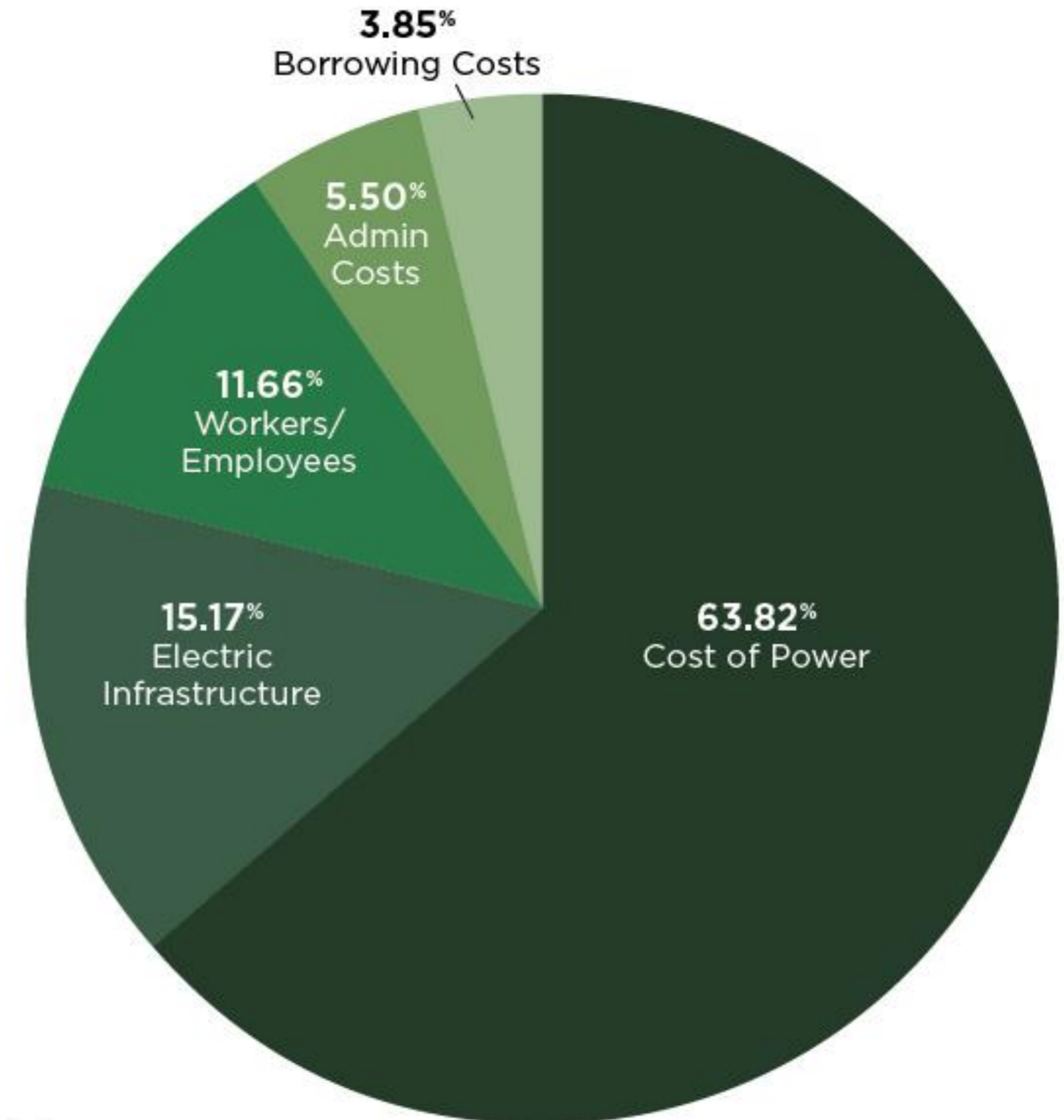


LPEA STRATEGIC GOAL

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.

Cost of Your POWER

- **\$68 million** of LPEA's annual budget is currently allocated to purchasing power from our wholesale power provider Tri-State.
- Power costs are the #1 driver of rates.

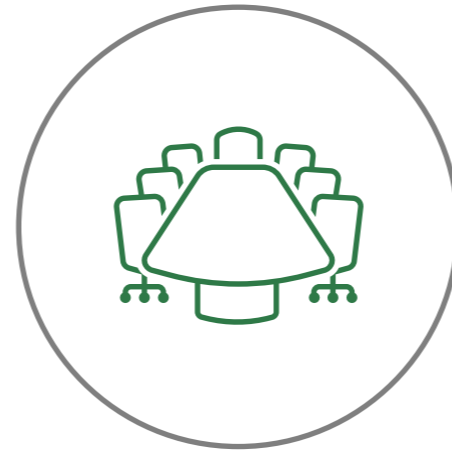


Board's 3-Prong Strategy



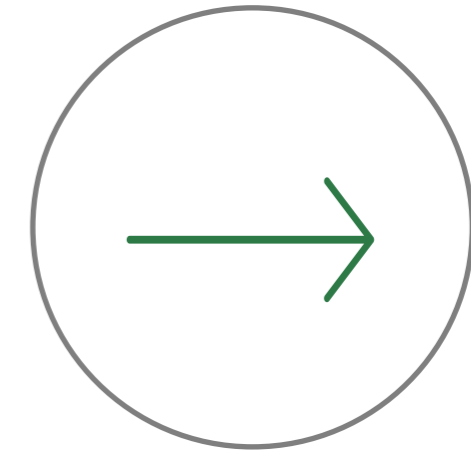
#1: Flexibility in current contact

STATUS: Acquired ability to install 2 MW community solar project. Secured 4% decrease in wholesale rates.



#2: Partial Contract

STATUS: Policy established at Tri-State. LPEA applied for, and was granted, the ability to shop for 50% of our power supply. Proposals were evaluated, a supplier was selected, and negotiations are underway.

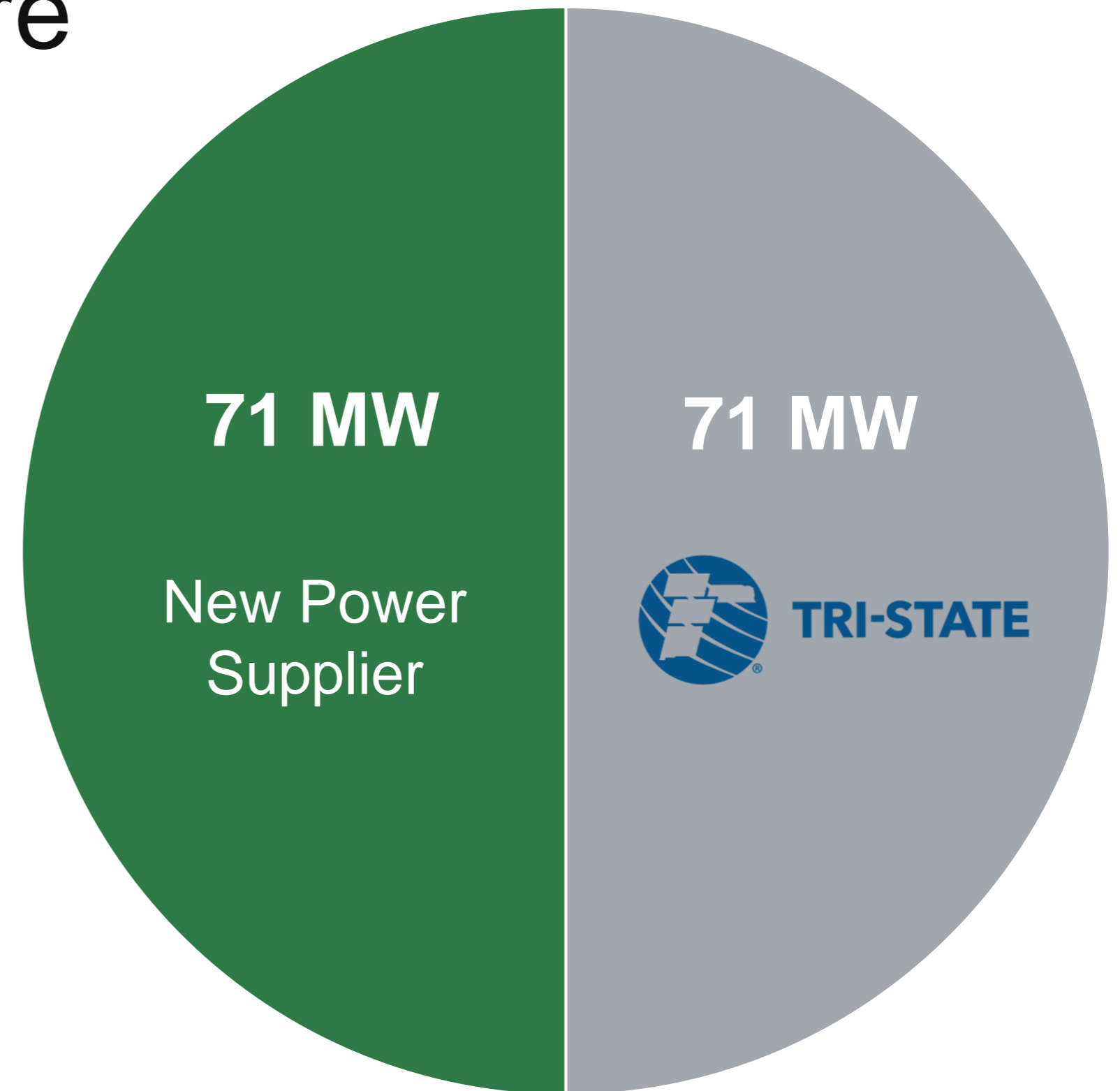


#3: Full Exit

STATUS: Negotiations continue with Tri-State at FERC to acquire a fair Contract Termination Payment.

Partial Contract Structure

- In October 2020, Tri-State approved a partial contract policy for up to 50% of LPEA's load.
- New policy allows Tri-State members to diversify their power supply portfolios.
- Tri-State and LPEA agreed to partial contract buy-down payment (subject to FERC approval).



Why LPEA Cannot Share Buy-Out or Buy-Down Figures

Participants in Federal Energy Regulatory Commission (FERC) settlement negotiations are prohibited from disclosing “any information concerning any dispute resolution communication” under 18 C.F.R. §§ 385.606(b).



WHERE WE ARE NOW



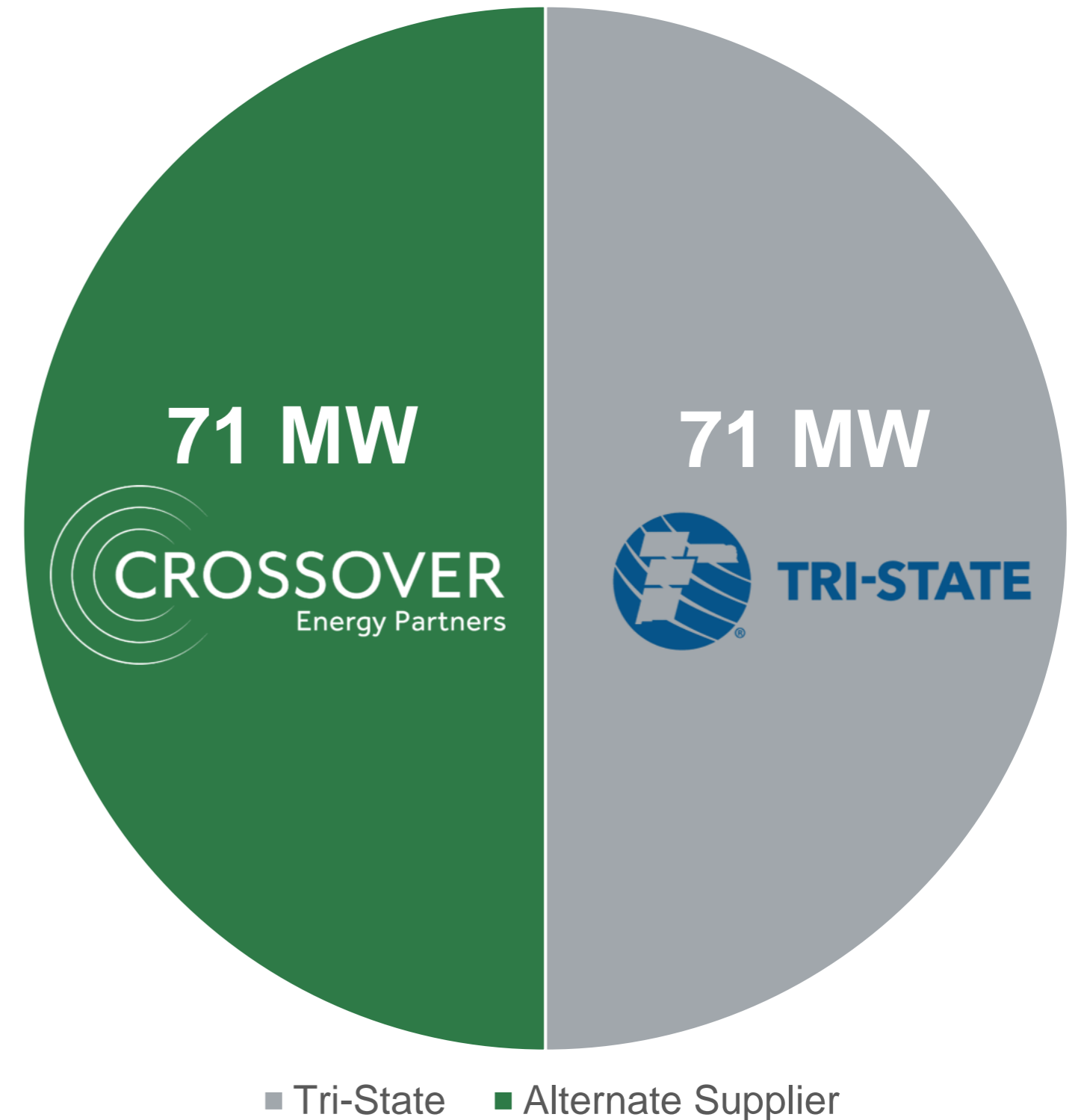


What We Know

- LPEA and Tri-State have agreed to a final partial contract payment that will be submitted to the Federal Energy Regulatory Commission (FERC) for approval.
- Best-case and worst-case full buy out methodologies have been filed at FERC.
- Full buy out would require LPEA to cover the costs of:
 - ✓ Transmission access
 - ✓ Operational communications
 - ✓ Regulatory compliance
 - ✓ Energy efficiency and electrification rebates

Partial Contract

- Evaluated 9 power supply proposals according to criteria.
- Crossover selected to supply 71 MW of capacity and Tri-State will provide the remainder.
- Tri-State would remain LPEA's transmission provider for all power.
- Agreement on partial contract payment



Partial Contract Benefits



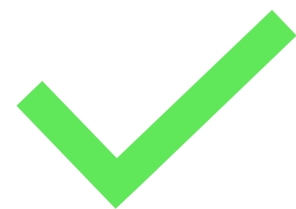
Cost Savings & Stability

Locks in low power prices for terms of the agreement with Crossover. Protects against inflation.



Environmental Benefits

Reduces LPEA's carbon footprint by 50% immediately.



Reliability & Resiliency

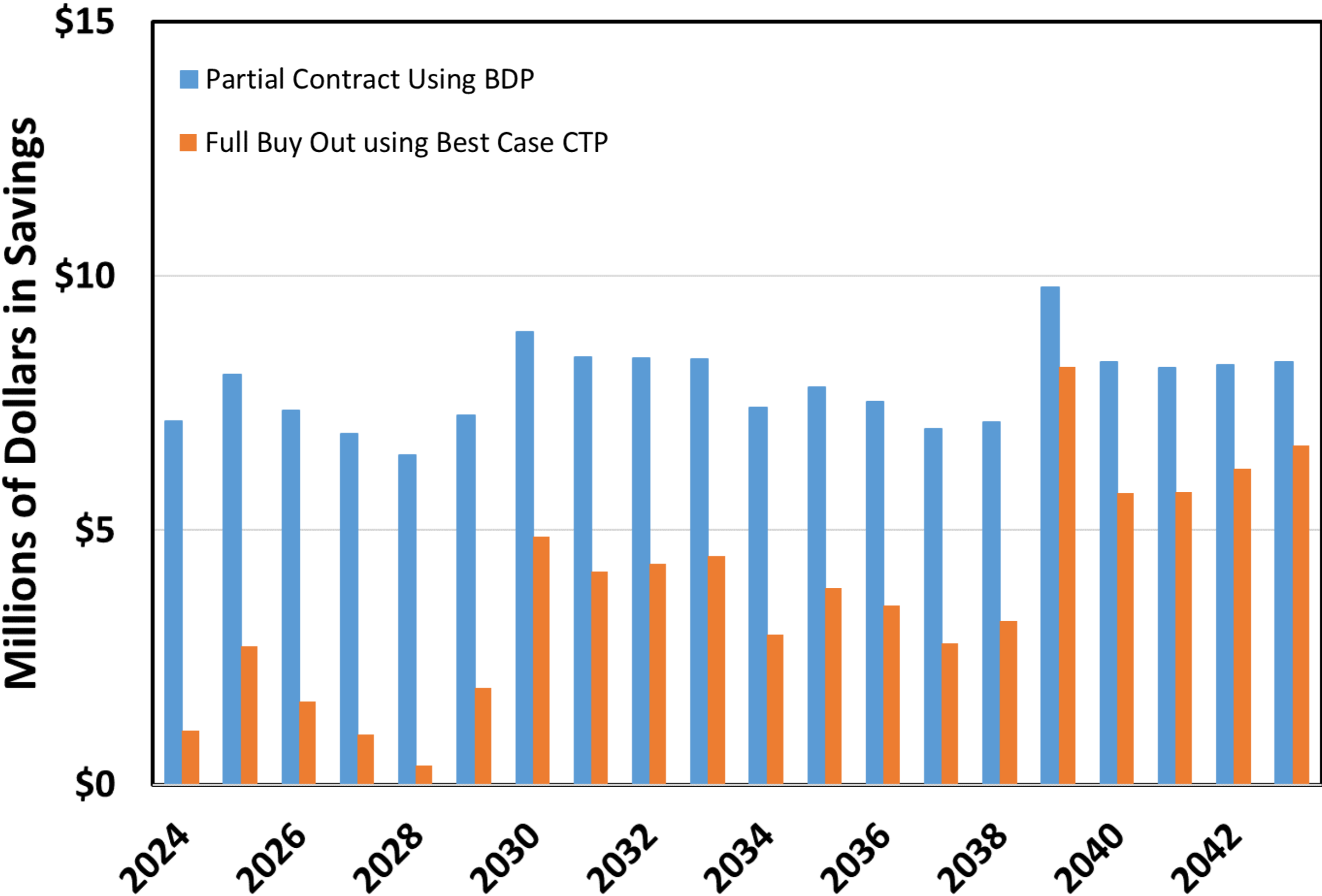
Uses Tri-State's reliable transmission grid + new regional generation resources.



Community Commitment

Provides \$1 million in educational grant funds + local jobs for local projects.

Savings – Partial Contract Vs Full Buy Out



Partial Contract Estimated Cost Savings

\$7M

Average annual savings

\$35M

Savings in first 5 years

\$140M

Contract (20-year) savings



A Win-Win Solution

Partial Contract also helps Tri-State:

- Reduces the need for Tri-State to build power plants as part of its energy transition.
- Meets carbon reduction goals more quickly.
- Meets membership and community needs.

Cooperatives like LPEA want to better meet the needs of their members. And Tri-State wants to partner to facilitate this.



WHAT THIS COULD
MEAN FOR YOU





Savings represent a significant reduction in LPEA's expenses after this transition, which *could* result in:

- Rate decrease.
- Flat rates well into the future.
- Increased funding for capital projects or fire mitigation to improve reliability.
- Increased Capital Credits to members.

NEXT STEPS



Next Steps

- LPEA board to vote on a path forward.
- LPEA to finalize partial contracts with Crossover and Tri-State.
- Federal Energy Regulatory Commission (FERC) to approve the buy-down payment.
- LPEA to stay involved at FERC to ensure the full buy out is fair for all parties.
- LPEA board to vote to approve the final power supply contracts.
- Complete transition within 2 years.



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Q&A

lpea.coop/powersupply

