

LPEA 2025 OPERATIONAL PLAN



“There is nothing so stable as change.”

- BOB DYLAN



LONG-TERM VISION

Long-Term Vision

Energy Transition

Be Safe And Excellent In All We Do

Keep The Lights On

Source Clean, Local, Lowest Reasonable Cost Power

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RISING ENERGY DEMANDS:

Meeting the growing electricity needs driven by Artificial Intelligence (AI), Electric Vehicles (EVs), and other energy-intensive innovations.

ORGANIC MEMBERSHIP GROWTH:

Expanding service to a larger, more diverse membership base as the community and economy continue to evolve.

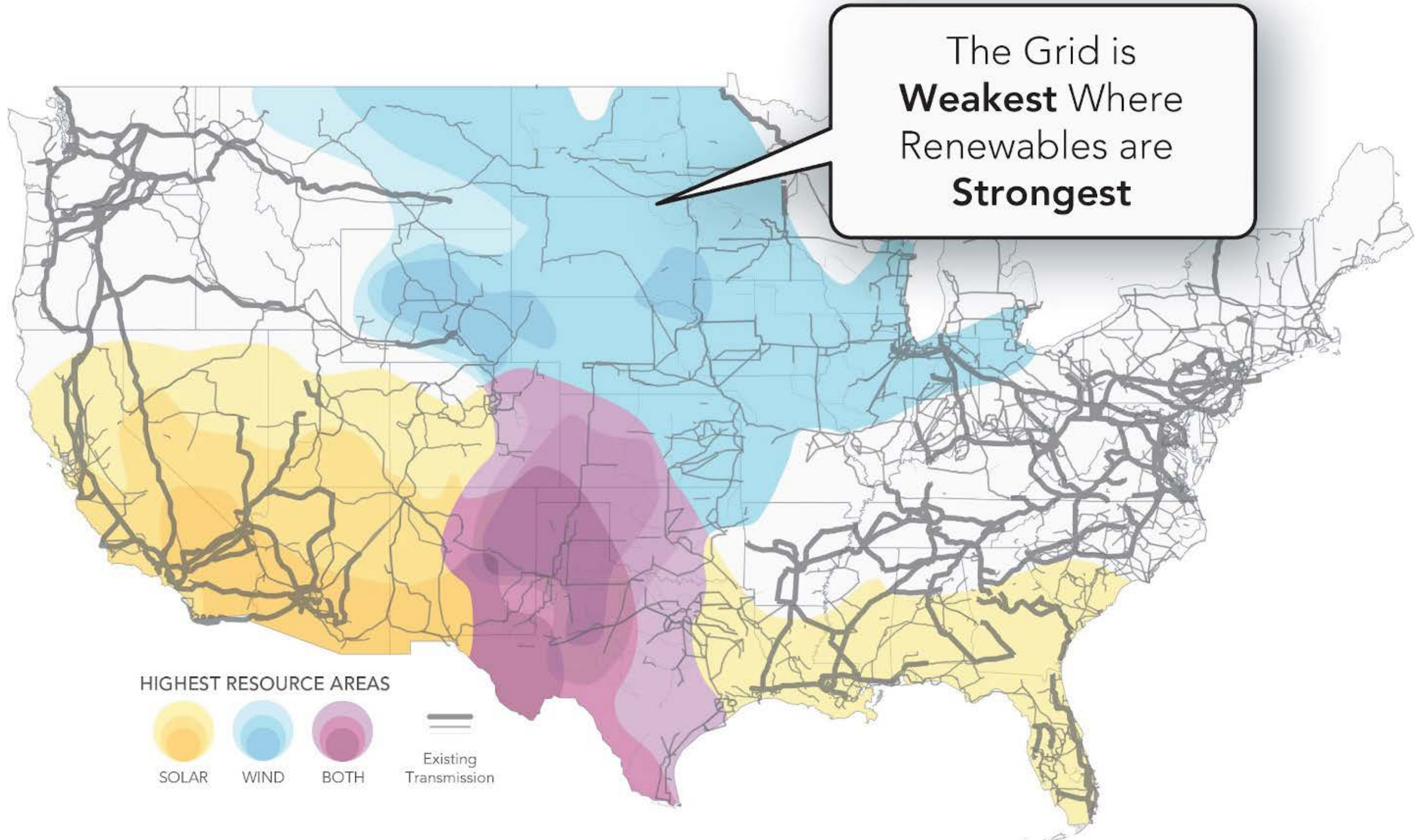
PROMOTING BENEFICIAL ELECTRIFICATION:

Accelerating the shift to energy-efficient, electrified solutions that reduce carbon footprints and lower costs.

TRANSMISSION INFRASTRUCTURE EXPANSION:

Strengthening and expanding transmission networks to support increased demand and ensure reliable, future-proof energy delivery.





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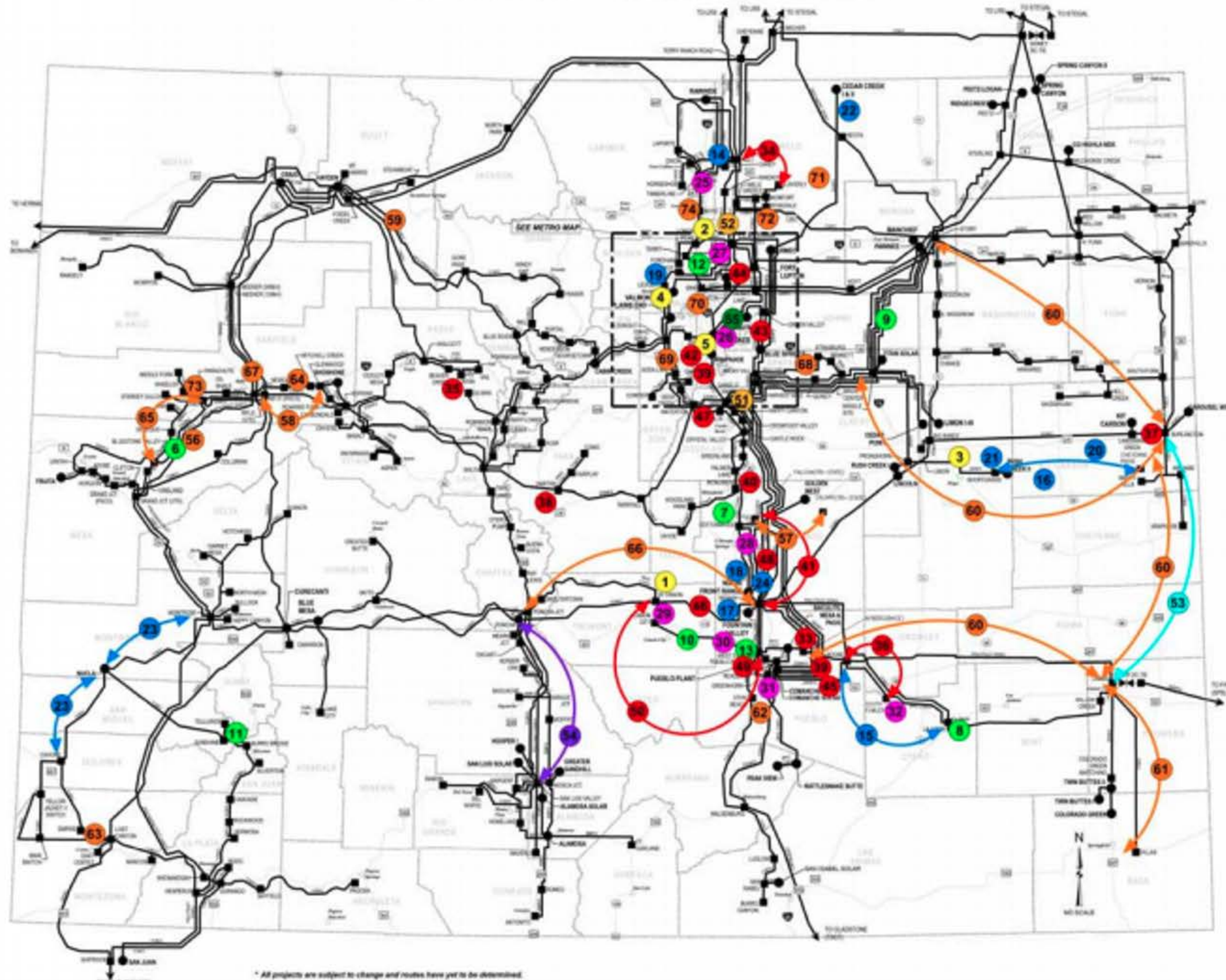
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Colorado Rule 3627 - Ten Year Transmission Plan



2025: A CRITICAL YEAR IN OUR ENERGY TRANSITION JOURNEY

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As we approach April 1, 2026, and the departure from our wholesale power supplier, 2025 will be a transformative year for LPEA. This year will be foundational as we prepare to meet our energy needs with a new, diverse portfolio of clean, reliable power sources.

KEY FOCUS AREAS:

Securing Our Future Energy Supply

We are committed to managing the smooth transition from our current power supplier to a new, diversified portfolio that will serve our members' needs for decades to come. We will execute Power Purchase Agreements (PPAs) to secure 100% of the energy required for 2026. These agreements will ensure we have a reliable and cost-effective energy mix that meets our sustainability goals and our commitment to Beneficial Electrification (BE).

Ensuring Reliability & Resiliency

We will be highly focused on ensuring grid reliability, which includes securing transmission assets and creating a long-term asset plan. This ensures that as we grow into our new energy future, we continue to keep the lights on and serve the needs of our communities.

Meeting Our North Star Targets

We remain dedicated to fulfilling our North Star targets, which include driving sustainability, reducing emissions, and enhancing energy efficiency. We are committed to both today's energy needs and the modernization of our operations for the future. Equally important is our commitment to fostering strong communication and engagement with our community and members. We aim to create an open, collaborative environment where stakeholders are informed, involved, and empowered to contribute to our shared goals.

Advancing Cooperative Growth

We will create a robust, cooperative-driven advocacy initiative that works at both the national and state levels, fosters collaboration with other cooperatives, and partners with industry experts to affect meaningful and lasting change.





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BE SAFE AND EXCELLENT IN ALL WE DO

TARGET: ENSURE A CULTURE OF SAFETY WITH ZERO LOST-TIME INCIDENTS AND CONTINUOUS IMPROVEMENT IN SAFETY PROTOCOLS

- Experience no lost-time incidents or accidents.
- Achieve 100% compliance in safety regulations.
- Develop a comprehensive safety handbook that introduces all components of our safety programming to foster a culture of safety, promote compliance with regulatory requirements, and minimize risk across all operations.
- Implement a Health, Safety, and Security Audit Program to monitor and address key risks, ensuring facility and personnel safety.
- ***Host two simulated scenarios focused on emergency response coordination and crisis management, strengthening partnerships with local public safety to further assess LPEA's level of preparedness and further identify areas for improvement with stakeholders.***
- Regularly update and enforce safety protocols in alignment with industry best practices.

TARGET: EXPERIENCE NO CYBER INCIDENTS THAT DISRUPT BUSINESS PROCESSES

- Complete an internal cybersecurity assessment, using the results to enhance defenses and address identified vulnerabilities.
- Ensure that each staff member responsible for cybersecurity attends at least one relevant training or conference annually to enhance skills and stay updated on emerging threats.
- Develop and implement a third-party risk management program to assess and manage cybersecurity risks from external vendors and partners.
- Participate in the Rural and Municipal Utility Cybersecurity (RMUC) Advanced Cybersecurity Technology (ACT) Prize Series to drive innovation in cybersecurity practices and gain recognition in the utility industry.

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KEEP THE LIGHTS ON

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TARGET: STRENGTHEN WILDFIRE PREVENTION AND GRID RESILIENCE THROUGH PROACTIVE MITIGATION STRATEGIES AND INFRASTRUCTURE ENHANCEMENTS

- Develop and implement an updated comprehensive fire mitigation program that includes risk assessments, defensible space creation, and infrastructure hardening.
- Enhance the tree trimming program to proactively address wildfire risks, focusing on high-risk areas and compliance with local regulations.
- Develop and execute the 2025 Right-of-Way (ROW) Clearing Schedule, focusing on ground-to-ceiling clearance for improved line safety.
- Migrate to a new mapping and staking platform that improves grid visibility and helps identify high-risk areas for wildfire prevention efforts.

TARGET: LEVERAGE TECHNOLOGY TO IMPROVE OPERATIONAL SAFETY, EFFICIENCY, AND PROACTIVE MAINTENANCE

- Improve operational efficiency through the modernization and optimization of fleet and equipment.
- Establish the Pagosa Dispatch Center to create redundancies.
- ***Develop and implement a comprehensive drone inspection program, including a detailed schedule and follow-up protocols for asset monitoring.***
- Digitize work orders (WO) and integrate them into operational workflows for improved tracking and resource allocation.
- Implement an outage hex grid mapping system to analyze outage trends and target improvement efforts.

TARGET: INVEST IN CAPITAL IMPROVEMENTS TO MODERNIZE THE GRID INFRASTRUCTURE, INCLUDING UPGRADES TO SUBSTATIONS, TRANSFORMERS, AND TRANSMISSION LINES

- Achieve on-time and on-budget completion of capital projects.
- Upgrade aging infrastructure with durable, high-efficiency equipment.

TARGET: ACHIEVE TARGETED IMPROVEMENTS IN RELIABILITY METRICS, REDUCING THE FREQUENCY AND DURATION OF OUTAGES THROUGH SYSTEM UPGRADES, PREVENTATIVE MAINTENANCE, AND ENHANCED EMERGENCY RESPONSE

- Install smart reclosers and fault indicators to minimize outage durations.



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SOURCE CLEAN, LOCAL, LOWEST REASONABLE COST POWER

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TARGET: ADVANCE LOCAL CLEAN POWER PROJECTS BY SECURING NEW RENEWABLE ENERGY GENERATION OPPORTUNITIES, COLLABORATING WITH STAKEHOLDERS, AND ENSURING PROJECT FEASIBILITY

- Complete the red zone plan and engineering, addressing areas with solar moratoriums, to enable all LPEA members the opportunity for residential solar installations.
- *Make progress on the PACE award permitting process and program planning to finance and deploy renewable energy projects within the LPEA service area.*

TARGET: COMPLETE ENERGY TRANSITION

- Secure and execute Power Purchase Agreements (PPAs) to meet 100% of LPEA's energy and capacity needs by 2026, ensuring cost-competitiveness and alignment with LPEA's sustainability goals.
- Develop and implement an Energy Risk Management Policy (ERMP) to address price volatility, supply chain risks, and environmental regulations, ensuring cost stability and energy security for LPEA.
- Establish protocols for responding to extreme weather events or market disruptions.
- Review and update LPEA's policies and bylaws to facilitate energy independence.
- Develop and execute a comprehensive plan for LPEA's local transmission assets to minimize compliance requirements while maintaining a reliable and efficient network.





BE A TRUSTED COMMUNITY PARTNER

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TARGET: ACHIEVE IMPROVEMENT IN OVERALL MEMBER SATISFACTION

- Optimize member service training programs to achieve a minimum satisfaction rating of 4.5/5 on post-call surveys, focusing on responsiveness, clarity, and resolution of member issues.
- Develop and monitor KPIs for member service to track improvements in call response times, issue resolution, and overall satisfaction.
- **Expand member education programs to increase awareness of energy efficiency, renewable energy options, and cooperative governance.**

TARGET: STRENGTHEN COMMUNICATION WITH MEMBERS THROUGH MULTIPLE CHANNELS

- Launch a new, user-friendly website designed to improve member access to services, resources, and real-time updates.
- Enhance email communications by segmenting lists and providing personalized email newsletters, program updates, event invitations, and energy-saving tips based on member preferences.
- Ensure real-time communication during power outages, emergencies, or planned maintenance through social media, text alerts, and the LPEA website.
- Provide regular updates to keep members informed of progress and estimated restoration times.
- Implement a targeted campaign to increase voter turnout for annual board elections by providing clear, accessible information on voting processes and issues up for vote.

TARGET: STRENGTHEN LPEA'S PRESENCE AND ENGAGEMENT WITHIN THE LOCAL COMMUNITY BY FOSTERING MEANINGFUL CONNECTIONS, PROMOTING SUSTAINABILITY EFFORTS, AND ENHANCING PUBLIC AWARENESS OF THE ENERGY TRANSITION AND EDUCATIONAL OUTREACH

- Host one Town Hall per quarter in Durango and Pagosa Springs to update members on key initiatives, address concerns, and gather feedback.
- Host 'Coffee with Chris' informal listening sessions to create additional opportunities for members to share their feedback and concerns in a relaxed setting.
- Host educational events across the service territory to showcase programs, new technologies, and LPEA's efforts to empower members and reduce energy costs.
- Participate in community gatherings to increase visibility, distribute educational materials, and answer community questions.
- Expand current partnerships with higher education institutions and explore new opportunities in the region to foster workforce development.
- Strengthen partnerships with local fire departments and emergency services to improve coordination and response.

TARGET: IDENTIFY THE EVOLVING NEEDS OF THE MEMBERSHIP

- Regularly assess and respond to the evolving needs of the membership through continuous feedback collection, surveys, and direct engagement.
- Conduct NRECA membership survey to benchmark member satisfaction and identify areas for improvement, then use the results to refine cooperative programs and services.

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MAINTAIN STRONG FINANCIAL HEALTH

KEY PERFORMANCE INDICATORS:

- Operating margin at 3.0%
- Cash reserves at 12-20%
- Equity percentage is 40-55%
- Long-term debt is less than 100% of equity
- MDSC is greater than or equal to 1.35 (debt covenant)

TARGET: IMPLEMENT A COMPREHENSIVE FINANCIAL STRATEGY THAT ENSURES LONG-TERM SUSTAINABILITY BY OPTIMIZING COST STRUCTURES, SECURING DIVERSE FUNDING SOURCES, MAINTAINING HEALTHY FINANCIAL RATIOS, AND POSITIONING FOR FAVORABLE CREDIT RATINGS

- Complete a cost-of-service study examining the true cost of delivering electricity across LPEA's different rate categories.
- Assess current and future capital projects (e.g., infrastructure, renewable energy investments, grid modernization) to determine LPEA's long-term borrowing requirements.
- Determine LPEA's debt capacity and evaluate financial ratios, such as debt-to-equity ratio and debt service coverage, to ensure borrowing stays within sustainable levels.
- Identify potential funding sources, including state and federal loans, grants, and private capital, to reduce borrowing costs and diversify funding options.
- **Complete the credit rating process to optimize LPEA for a favorable credit rating, allowing for access to low-cost financing and better borrowing terms.**
- Develop a detailed, multi-year cash flow forecast to ensure LPEA maintains sufficient liquidity to meet operational needs, capital requirements, and debt obligations.



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PREPARE FOR THE FUTURE

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TARGET: POSITION LPEA FOR LONG-TERM GROWTH AND RESILIENCE THROUGH INNOVATIVE PROGRAMS, STRATEGIC PARTNERSHIPS, AND FORWARD-THINKING INVESTMENTS THAT OPTIMIZE THE GRID AND SUPPORT EVOLVING ENERGY NEEDS

- Expand Distributed Energy Resources (DER) programs to enhance grid resilience, reduce peak demand, and avoid costly infrastructure expansion.
- **Create a battery storage program that includes financial incentives and educational resources for members interested in adding storage.**
- Continue to implement EV charging program for members to adopt electric vehicles, which can contribute to energy storage and shift demand away from peak hours.
- Implement the Peak Time Payback program to incentivize members to reduce energy usage during peak demand periods.
- Complete initial demand forecast study.

TARGET: RESEARCH AND IMPLEMENT NEW TECHNOLOGIES AND STRATEGIES THAT OPTIMIZE LPEA'S GRID, IMPROVING RELIABILITY, EFFICIENCY, AND RESILIENCE TO MEET FUTURE ENERGY DEMANDS

TARGET: DEVELOP PARTNERSHIPS TO ACHIEVE THE BOARD'S BROADBAND GOAL

- Engage with potential broadband service providers, local governments, and technology companies to explore partnership opportunities.
- Explore ways to leverage existing infrastructure (e.g., power poles, fiber networks) to reduce the cost and time required for broadband deployment.

TARGET: IDENTIFY AND SECURE GRANTS AND FUNDING OPPORTUNITIES TO SUPPORT KEY INITIATIVES THAT ADVANCE THE LPEA'S SUSTAINABILITY, INNOVATION, AND COMMUNITY ENGAGEMENT GOAL

- Seek and apply for grants that make a meaningful difference in LPEA's energy transition.



CREATING OUR OWN DESTINY:

2025 is a year of empowerment for LPEA. We're not just securing energy for the future; we're building a future we can all be proud of—one powered by clean energy, strengthened by local partnerships, and setting a national example of how a rural electric co-op can lead the clean energy transition. Through innovation and collaboration, LPEA is positioning itself as a model for rural communities nationwide, proving that a shared commitment to sustainability can drive us toward a cleaner, brighter future.



STRATEGY

In 2018, the LPEA Board of Directors set a Strategic Goal and series of Strategic Initiatives to complement LPEA’s Vision and Mission statement and to guide LPEA toward a successful future.

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.

STRATEGIC GOALS

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.

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.

STRATEGIC INITIATIVES

Member Engagement, Leadership and Organizational Development, Local Economic Development, Distribution Utility of the Future, Power Supply and Delivery, and Operational Excellence.



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KEY PERFORMANCE INDICATORS

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Attribute	Metric	Goal
Safety	Average Safety Meeting Attendance (%)	>= 80.00
Reliability*	System Average Interruption Duration Index (SAIDI, minutes)	< 100.00
	System Average Interruption Frequency Index (SAIFI, outages/member)	< 1.00
Finance	Financial Health Score	>= 100.00
	YTD Operating Margin (% of Revenue)	>= 3
	Cash Reserves (% of Operating Costs)	12 - 20
	Debt Financing (% of Equity)	<= 100
	Modified Debt Service Coverage (MDSC)	>= 1.35
	Equity (%)	40 - 55
Beneficial Electrification	BE Sales (kWh)	>= 190,000
Information Technology	Average Critical System Uptime (%)	>= 99.9

- ✓ Meeting or exceeding performance goal
 - ⚠ Monitoring performance
 - ✗ Not on track to meet performance goal
- Definitions of attributes can be found at the end of this report.
 *Reliability is measured cumulatively over the year. The 100 minute target is our annual goal and is not monthly.

NORTH STAR

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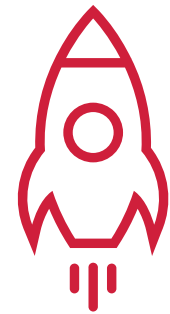
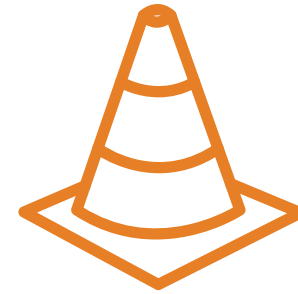
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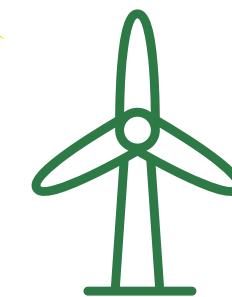
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Keep the lights on



Maintain strong financial health



Source clean, local, lowest reasonable cost power



Be a trusted community partner



With a strong culture of safety and respect as a foundation – and with our Vision, Mission, Strategic Goal, and Strategic Initiatives to guide us – LPEA employees collaborated to assess our current environment in a SWOT analysis.

Based on this analysis of where we are now, we developed a “North Star” to guide us to where we want to be in five years.

The following six priority areas – the points on the star – will help prioritize and focus our work from 2021-2025 to reach the broader Strategic Goal as set by the LPEA Board of Directors.



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FINANCE DEFINITIONS

YTD Op Margin vs Budget: Operating Margin (Revenue less cost of electric service, operating expenses, interest, and depreciation) for the year to date compared to budget.

Cash Reserves: Cash in bank plus short-term investments.

Debt Financing: Current level of debt financing from CFC.

MDSC: Modified Debt Service Coverage - measures the co-op's ability to meet its debt service obligations (principal and interest) from its operating margins (with depreciation and interest added back) plus cash received from capital credit retirements.

Equity %: The percentage of the co-op's total assets that are financed by equity and margins.

INFORMATION TECHNOLOGY DEFINITIONS

Average Critical System Uptime: The average percentage of 24/7 time which LPEA's critical IT systems are running and performing their intended functions.

BENEFICIAL ELECTRIFICATION

For electrification to be considered beneficial, it must meet one or more of the following conditions without adversely affecting the other two:

- Saves consumers money over the long run
- Enables better grid management
- Reduces negative environmental impacts

SYSTEM RELIABILITY DEFINITIONS (IEEE STANDARD 1366)

System Average Interruption Duration Index (SAIDI): This index indicates the total duration of interruption for the average customer during a predefined period of time. It is commonly measured in customer minutes or customer hours of interruption.

$$SAIDI = \frac{\sum \text{Customer Interruption Duration}}{\text{Total Number of Customers Served}}$$

System Average Interruption Frequency Index (SAIFI): This index indicates how often the average customer experience a sustained interruption over a predefined period of time.

$$SAIFI = \frac{\sum \text{Total Number of Customers Interrupted}}{\text{Total Number of Customers Served}}$$

Major Event Day (MED): A major event day is a day in which the daily system SAIDI exceeds a threshold value, TMED. LPEA's threshold value (TMED) is 6 hours. The SAIDI index is used as the basis of this definition since it leads to consistent results regardless of utility size and because SAIDI is a good indicator of operational and design stress. Even though SAIDI is used to determine the major event days, all indices should be calculated based on removal of the identified days.