

MESSAGE FROM THE CEO: SHOULD WE STAY OR SHOULD WE GO?

The latest on LPEA's future power supply discussions.



In the wake of the 2021 director election season, there are many questions and misconceptions on the status of LPEA's future power supply discussions. As such, we are dedicating this entire edition to the topic. Following is an overview of where we are in this process and what to expect moving forward.

BACKGROUND

In August of 2019, the LPEA board passed Resolution 2019-10, requesting that LPEA pursue multiple contract options with Tri-State, which currently supplies LPEA with 95% of the electricity we deliver to our members, under a contract that runs through 2050. These options included:

1. [Amendments to our current contract to allow more flexibility.](#)
2. [A partial exit from the contract.](#)
3. [A full exit from the contract.](#)

There are two main reasons the board elected to explore an exit from Tri-State: high rates and lack of local control. According to Standard and Poor's, Tri-State's rates are 20% higher than average. LPEA's initial conservative calculations for pursuing other energy options estimate hundreds of millions of dollars in cost savings over the life of the existing contract. Pursuing more local control

of our energy portfolio would also bring LPEA closer to the cooperative principles on which we were founded, including autonomy and independence, and concern for our local community.

Since then, LPEA has been actively exploring these options. **I want to stress that no decisions have been made and no option will be chosen that will increase rates or decrease reliability.**

CURRENT STATUS

[Option #1 - Amendments to our current contract:](#) This option was a big focus in 2019 and 2020, when LPEA participated in regular contract and rate committee meetings and unilateral negotiations with Tri-State. Out of these discussions with Tri-State and other co-ops, Tri-State developed the partial contract option which LPEA is now pursuing.

[Option #2 - Partial contract:](#) There has been some recent momentum with this option, which would enable LPEA to buy a portion of our power from Tri-State and self-supply the rest. Though that self-supply could take the form of building and owning our own generation facilities, it would most likely involve third-party developers or aggregators who would build a diversified generation portfolio for us.

With this option, we would still be buying power from the Western Interconnection grid, the largest and most dependable electric grid in the United States; the same grid Tri-State pulls its power from. This means that the reliability of LPEA's power supply would stay the same. The benefit is that our new power supply contracts would guarantee a fixed price for the power we purchase that would not be impacted by market fluctuations. We don't have any such price guarantees within our Tri-State contract.

In May, Tri-State offered 300 MW of capacity to their members interested in pursuing partial contracts. LPEA applied for, and was eventually allocated, the full 71 MW requested, which is roughly half of what we need to power our members. Following that allocation, we released a Request for Proposal in June to 50 different power supply developers and aggregators.

LPEA RE-OPENS TO THE PUBLIC

LPEA re-opened our lobbies in Durango and Pagosa Springs to the public on Monday, June 14th, 2021. Online, drive-through, and phone options are also still available 7 a.m. to 6 p.m. Monday to Thursday.



OFFICE CLOSURE

LPEA will be closed Monday, July 5th in celebration of Independence Day.



utility members seeking information to assess whether to terminate their wholesale electric service contracts with Tri-State.”

LPEA continues to pursue this option because if we can get a fair and equitable exit charge, there could be a significant savings for our members. We are pursuing cost savings for our business just like you would for your home or business. If LPEA opts for a partial contract now, that does not prevent us from fully exiting in the future. But again, we cannot know if this is a financially viable option until we secure the final buyout figure.

NEXT STEPS

Once LPEA has all the figures related to a partial contract, this option will be put to the board for a vote. The same will happen when we have all the figures related to a full contract exit.

Before either of these decisions are made by the board, LPEA will host a series of town hall meetings to present the findings directly to our membership and answer any questions or concerns. The board will not pursue any option that raises rates, or that jeopardizes the reliability of the electric service on which you rely.

For more details and updates, visit lpea.coop/powersupply

- Jessica Matlock, CEO

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



BOARD MEETINGS

July 21st and August 25th
9:00 a.m.*

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

More at: lpea.coop/lpea-board-directors-resources



COMMITTEE MEETINGS

Finance + Audit

July 15th and August TBA
2-4:00 p.m.*

Broadband

July 1st and August 5th
1-3:00 p.m.*

More at: lpea.coop/board-directors-committees

*All meetings are open to the public and live streamed.



LPEA GRANTS

The Round Up Foundation Board of Directors approved **three grants totaling \$9,800** in May for Collaborative Forest Landscape Restoration Program (CFLRP), The Community Treehouse, and Seed Studio.

Option #3 - Full exit: LPEA and at least six other Tri-State member co-ops are meeting frequently with Tri-State, during Federal Energy Regulatory Commission (FERC) proceedings, to negotiate the terms of a fair and equitable exit charge (also called the Contract Termination Payment). If we cannot reach settlement with Tri-State, the case will go to trial at FERC, which could be a long process. In May, FERC rejected Tri-State's initial buyout process finding that it "imposes excessive and unjustified barriers to

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LPEA

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lpea.coop/lpea-rebate-programs