



La Plata Electric Association, Inc.

A Touchstone Energy® Cooperative 

2019 ANNUAL REPORT

FROM THE PRESIDENT

BY BOB LYNCH BOARD OF DIRECTORS

2019 was a good year at La Plata Electric. One of our priorities was to hire a new CEO to help LPEA achieve its overarching strategic goal as unanimously agreed by the board in 2018: to reduce its carbon footprint by 50% from 2018 levels by the year 2030, while keeping members' cost of electricity lower than 70% of its Colorado cooperative peers. We knew that achieving this would take a visionary leader, and a restructuring of the company and its priorities.

The board searched nation-wide for the right CEO. Fortunately, we were able to hire

Jessica Matlock to be the 7th — and first female — CEO of LPEA. The board voted unanimously to hire Jessica based on her strong mix of experience and leadership capability. Since she began in July, she's made it her top priority to understand our communities and communicate how the LPEA team plans to achieve the goals the board has set. You will have an opportunity to meet her and hear her vision by attending the LPEA Annual Meeting at Pagosa Springs High School on Saturday, May 16 at 10:30 a.m.

As we look ahead to 2020, the LPEA board has many options to consider in continuing to deliver reliable, cost-effective



BOB LYNCH
PRESIDENT

electricity to LPEA's members while also adapting to the rapidly changing energy world. Change is never easy, but we can choose a path that saves money in the long-term, moves LPEA towards a cleaner energy future, and maintains the service and reliability standards our members expect.

FROM THE CEO

BY JESSICA MATLOCK CHIEF EXECUTIVE OFFICER

It has been my great personal and professional pleasure to return to my home state of Colorado to join the La Plata Electric Association family. In my first six months as CEO, my strategic priority was to meet with as many LPEA stakeholders as possible to clearly identify the organization's strengths, weaknesses, and greatest opportunities. Based on this analysis — and together with staff, partners, members and the board — LPEA is embarking on a strategic realignment to prepare the utility to meet the goals set by the board, to provide better and more reliable services to our members, to be more transparent in our business practices, and to engage our communities in preparing our electric system to meet current and future needs.

2020 will be a big year for LPEA. We will explore ways to decrease our carbon footprint while keeping costs down. We will re-evaluate our programs to ensure they are meeting the needs of our members. We will also conduct major upgrades to our electrical system to ensure we can continue to provide reliable and safe electricity services to members. I look forward to leading the fantastic team at LPEA towards these ends.



JESSICA MATLOCK
CEO

Join Us

LPEA ANNUAL MEETING

Saturday, May 16

Pagosa Springs High School

9 a.m. Registration

10:30 a.m. Business Meeting

LPEA 2019 Activity Highlights

The LPEA team worked hard to improve service to members in 2019. Here's a highlight of the year's accomplishments:

STRATEGIC

- The Board of Directors unanimously approved the following strategic goal for the utility: ***"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."***
- The Board of Directors hired LPEA's first female CEO in more than 80 years of operation.



 LPEA's new outage texting service.

CUSTOMER SERVICE & COMMUNITY INVOLVEMENT

- Managed 43,916 calls, processed 13,383 service orders, and handled 50,271 payments.
- Improved network connectivity between LPEA's Pagosa and Durango offices to provide better customer service to Archuleta county.
- Implemented *TextPower*, which notifies members about power outages and allows them to report outages via text.
- Collected 1,760 pounds of food and \$447 in cash for local communities at our annual *Fill the Bucket Food Drive*.
- Awarded \$77,500, the first of our Renewable Generation Funds Grants, to four local not-for-profits to pursue solar generation projects.
- Held three blood drives, collecting 65 units of blood from 51 donors.
- LPEA employees donated more than \$1,600 to purchase necessities for 25 individuals between the ages of 3 and 71.


INFRASTRUCTURE IMPROVEMENTS

- Updated the Shenandoah substation and reconnected 15.5 miles of line to improve service and reliability to West Durango, Sunnyside, County Roads 318 and 500, and the Capote areas.
- Restored 44 outages affecting 11,280 customers in less than 15 hours during the February 14th snowstorm.
- Tested and replaced equipment throughout LPEA's service area to reduce the use of toxic polychlorinated biphenyl (PCB) materials in our infrastructure and assets.
- Captured updated aerial imagery of LPEA's service territory to improve the design of utility infrastructure for new and existing members.

ENERGY MANAGEMENT

- In 2018, LPEA finished switching all streetlights in its service area to energy efficient LED lights. This resulted in an estimated 900,000 kilowatt hour reduction in 2019, equivalent to the average annual usage of 115 homes.
- Created public and residential electric vehicle charging programs to support the use of electric vehicles in our service area now and in the future.
- Provided \$185,000 in rebates for member energy efficiency efforts including the installation of LED lights and the use of heat pumps and Energy Star appliances.
- Facilitated the interconnection and net metering of 200 members to support their installation and generation of rooftop solar. This is the highest annual number since the beginning of the program in 2003.



 New energy-efficient LED streetlights in LPEA service area.

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
Utility Plant & Nonutility Plant, Net	173,838,462	175,326,442
Investments, At Cost; Other Assets & Other Property	83,520,332	92,030,629
Current Assets		
Cash & Cash Equivalents	17,114,850	14,836,091
Certificate of Deposit	422,000	—
Marketable Securities	1,672,937	—
Accounts & Notes Receivable, Less Allowance for Doubtful Accounts; 2019—\$68,979 & 2018—\$79,054	12,011,608	12,485,961
Contract Assets	18,765	—
Materials & Supplies	1,616,520	1,709,634
Prepayments & Other Assets	800,901	936,765
Total Current Assets	33,657,581	29,968,451
Deferred Debits		
Regulatory Assets & Rights-of-Way	5,203,805	5,161,371
Other	106,500	80,255
Total Deferred Debits	5,310,305	5,241,626
	\$ 296,326,680	\$ 302,567,148

LIABILITIES & EQUITY	2019	2018
Equities		
Patronage Capital	143,499,559	141,660,944
Donated Capital	32,218	45,136
Total Association Equities	143,531,777	141,706,080
Noncontrolling Interest	2,258,202	2,058,813
Total Equities	145,789,979	143,764,893
Long-Term Debt	116,717,341	122,026,717
Current Liabilities		
Current Maturities of Long-Term Debt	5,315,111	5,106,499
Accounts Payable	7,594,726	7,795,746
Contract Liabilities	17,124	—
Accrued Expenses	4,169,778	4,422,274
Accrued Taxes	1,599,464	1,616,567
Customer Deposits	1,312,596	1,306,088
Total Current Liabilities	20,008,799	20,247,174
Deferred Credits	13,810,561	16,528,364
	\$ 296,326,680	\$ 302,567,148

CONSOLIDATED STATEMENTS OF MARGINS

Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenue		
Electric Energy Revenue & Gross Sales	107,011,272	106,513,533
Miscellaneous Revenue	6,545,909	5,753,525
Total Operating Revenue	113,557,181	112,267,058
Operating Expenses		
Cost of Power & Goods Sold	73,195,463	71,991,594
Transmission	879,893	1,195,196
Distribution	8,982,436	9,095,161
Maintenance of Distribution Plant	3,098,651	3,243,071
Accounting & Collection Expenses	1,611,384	1,703,479
Other Customer Expenses	3,014,459	2,886,735
Administrative & General	6,527,647	5,654,121
Depreciation & Amortization	10,318,876	10,251,669
Total Operating Expenses	107,628,809	106,021,026
Operating Margins Before Fixed Charges	5,928,372	6,246,032
Fixed Charges		
Less Interest on Long-Term Debt	- 4,404,807	- 4,778,047
Operating Margins After Fixed Charges	1,523,565	1,467,985
G&T & Other Capital Credits	3,000,555	3,016,838
Operating Margins	4,524,120	4,484,823
Nonoperating Margins		
Interest Income	536,675	563,423
Other Revenue	102,654	59,942
Total Nonoperating Margins	639,329	623,365
Net Margins Before Income Taxes	5,163,449	5,108,188
Provision for Income Taxes	258,631	250,937
Net Margins	5,090,338	4,857,251
Less Net Margins Attributable to Noncontrolling Interest	- 199,389	- 205,892
Net Margins Attributable to the Association	\$ 4,890,949	\$ 4,651,359

HOW YOUR DOLLAR IS SPENT

Borrowing Cost 4%

Net Margins 5%

Plant Cost 8%

Administrative Cost 9%

Operating Cost 10%

Cost of Power 64%



BKD CPAs & Advisors completed La Plata Electric Association's 2019 Combined Financial Audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

LPEA 2019 Year in Photos



2019 Member Appreciation Lunch.



Employee Shea Rivers donates blood.



Board of Directors meeting livestreamed to members.



Employees volunteer at the Fill the Bucket Food Drive.



Linemen Dalton Hotter and Evan Moore connect a new member.



Electric vehicle charging stations at the LPEA office in Durango.



Restoring power during the February 2019 snowstorm.



Employees participate in the Rock N' Roll "Snowdown" parade.



Steve Lynch upgrades equipment at LPEA substation.



Solar installation in LPEA service area.