

LA PLATA ELECTRIC ASSOCIATION, INC.
Durango, Colorado

The regular monthly meeting of the Board of Directors of La Plata Electric Association, Inc. was held Wednesday, May 20, 2015, in the headquarters building in Durango, Colorado. President Rendon called the meeting to order at 9:00 A.M., with the following directors present:

Joe Wheeling	Michael Rendon	Karen Barger
Jeffrey Berman	Davin Montoya	Bob Lynch
Britt Bassett	Jack Turner	J. Robert Formwalt
Mark Garcia	Tom Compton	Kohler McInnis

Excused Absence:

None

Also present were:

Mike Dreyspring, Chief Executive Officer
Steve Gregg, Chief Operations Officer
Dennis Svanes, Chief Financial Officer
Barry Spear, Attorney
Ron Meier, Manager of Engineering
Justin Talbot, Manager of Operations
Indiana Reed, Marketing & Communications Consultant
Laura Rome, Executive Assistant

Director Formwalt led the board in the Pledge of Allegiance.

AGENDA

President Rendon addressed the May 2015 agenda.

Motion: Director Compton moved to approve the May agenda with the ability to move around; motion seconded and passed without dissent.

GUESTS (from sign in sheet)

The following guests were present; Betsy Romere, John Beebe, Tiffany Parker, Ann McCoy Harold and H.L. Riegle. President Rendon recognized the guests and welcomed them.

MEMBER COMMENTS AND CONCERNS

President Rendon asked for Member comments. John Beebe from Bayfield gave the following comments regarding the LPEA Annual meeting. Items included were the efficiency, starting time, staging, planning, following the agenda, addressing questions about renewable energy and that the theme of the meeting was solarize La Plata. Additionally he commented on both the CREA report by Director Berman and the financial report given by Director Garcia. He requested in the future for CEO Dreyspring to present a financial synopsis of the organization. President Rendon thanked him for his comments and feedback on the LPEA annual meeting.

President Rendon noted that La Plata County Clerk, Tiffany Parker, would present her comments on the annual meeting later in the agenda.

CONSENT BOARD ITEMS

The consent board items were presented.

Motion: Director Lynch moved to approve the April 15, 2015 regular board meeting minutes, the capital credit payments to estates, April write offs and accepting new members; motion seconded and carried without dissent.

ITEMS REQUIRING BOARD ACTIONS

Director reimbursements were presented and reviewed.

LPEA New Board Member Orientation 5/18/15

Kohler McInnis	\$134.20	Karen Barger	\$139.95
Michael Rendon	\$125.00		

LPEA Board meeting 5/20/15

Davin Montoya	\$219.43	Mark Garcia	\$263.28
Jeffrey Berman	\$200.00	Bob Lynch	\$266.60
Joe Wheeling	\$212.21	Britt Bassett	\$200.00
Robert Formwalt	\$266.60	Michael Rendon	\$200.00
Jack Turner	\$216.95	Tom Compton	\$219.43
Karen Barger	\$214.95	Kohler McInnis	\$209.00

Jack Turner	Round Up	\$125.00
Jack Turner	4CORE x 3 meetings	\$375.00
Jeff Berman	CREA meeting	\$400.00
Jeff Berman	NRECA Legislative Conference	\$2,886.00
Tom Compton	NRECA Legislative Conference	\$2,871.12
Bob Lynch	Round Up	\$125.00
Bob Formwalt	Western United	\$200.00

Motion: Director Compton moved to approve the director reimbursements as presented; motion seconded and passed without dissent.

ELECTION OF OFFICERS AND REPRESENTATIVES OF AFFILIATED ORGANIZATIONS

President Rendon gave some opening comments about officer elections. Discussion ensued on secret ballot vs open ballot voting procedures. It was determined to keep the ballots secret. He introduced Attorney Spear to review the election process. Attorney Spear reviewed the voting process and different options for nominating and voting. He took questions on the process. President Rendon appointed Attorney Spear to conduct the election of officers.

Motion: Director Lynch moved to retain the current executive slate of officers with the exception of the Vice President opening. Director Bassett seconded the motion with an amendment to the original motion to include the current slate for affiliate positions for Director Wheeling on the Tri-State board, Director Berman on the CREA board and Director Formwalt on the Western United board. The amended motion was acceptable to Director Lynch. Motion was debated and failed.

Officers for LPEA Board.

The first office considered for nomination was President. Director Rendon and Director Montoya were nominated. Director Montoya declined the nomination with conditions which Director Rendon addressed.

Motion: Director Wheeling moved to appoint Director Rendon as President by acclamation; motion seconded and passed without dissent.

The second office considered for nomination was Vice President. Director Lynch, Director Turner, Director Compton, and Director Bassett were nominated. Directors Turner and Bassett withdrew their names from consideration. Director Compton was elected Vice President.

The third office considered for nomination was Secretary. Director Barger, Director Berman and Director Garcia were nominated. Director Garcia declined the nomination. Director Berman was elected Secretary.

The fourth office considered for nomination was Treasurer. Director Barger, Director McInnis, and Director Garcia were nominated. Director McInnis declined the nomination. Directors Barger and Garcia received equal number of votes. Director Garcia withdrew his name.

Motion: Director Wheeling moved to appoint Director Barger as Treasurer by acclamation; motion seconded and passed without dissent.

Representatives to other boards were addressed.

Tri-State Representative

Director Wheeling, Director McInnis, and Director Garcia were nominated. Director McInnis declined the nomination. Director Wheeling was elected as the Tri-State representative.

CREA Representative

Director Berman, Director Lynch, and Director McInnis were nominated. Director Lynch declined the nomination. Both Director McInnis and Director Berman addressed the board concerning their nominations. Directors McInnis and Berman received an equal number of votes. Upon re-voting, Directors McInnis and Berman received an equal number of votes. Director Berman was elected CREA Representative on a coin toss.

Western United

Director Lynch, Director McInnis, Director Berman, and Director Formwalt were nominated. Directors Lynch, McInnis and Berman withdrew their names from consideration.

Motion: Director Turner moved to appoint Director Formwalt as acclamation to serve on the Western United Board; motion seconded and passed without dissent.

Round Up

President Rendon reviewed the Round Up Foundation program and history. Director Lynch was nominated. Director Turner requested a review of the Round Up bylaws at the June board meeting.

Motion: Director Berman moved to appoint Director Lynch as a Round Up Director by acclamation; motion seconded and passed without dissent.

Second nomination for Round Up Director was Director Turner, Director Barger and Director McInnis. Director Barger declined the nomination. Director Turner and Director McInnis received an equal number of votes. Director Turner withdrew his name from consideration.

Motion: Director Berman moved to appoint Director McInnis by acclamation to the Round Up Board; motion seconded and passed without dissent.

4Core

Director Turner requested to be appointed. Director Wheeling requested clarification on whether or not an alternate is required for 4CORE. President Rendon reviewed the history of 4CORE, noted it was a not for profit and it focused on energy efficiency. Director Turner and Director Montoya were nominated. Director Montoya withdrew his name from consideration.

Motion: Director Berman moved to appoint Director Turner as the 4CORE representative by acclamation; motion seconded and passed without dissent.

CREA Alternate

Motion: Director Montoya moved to appoint Director Formwalt to be the alternate for CREA; motion seconded and passed without dissent.

Western United Alternate

Motion: Director Montoya moved to appoint Director Berman as the alternate for Western United; motion seconded and passed without dissent.

President Rendon presented Director Montoya with a service award for his 25 years of service.

LPEA BOARD POLICY 127, ANNUAL MEETING VOTING PROCEDURE CHANGES TO CONSIDER

CEO Dreyspring commented after working with the election supervisory committee and reviewing potential changes to policy 127 he requested constructive input from both Attorney Spear and La Plata County Clerk Tiffany Clark on possible changes to Board Policy 127 and annual meeting voting procedures. Attorney Spear proposed that he and La Plata County Clerk, Tiffany Parker review potential changes and return to the board with recommended changes at the June LPEA Board meeting. Tiffany Parker reviewed in detail her suggested changes to Board

Policy 127 in improving the process. Items included: election process, replacement ballot process, independent third party, voting qualification, ballot procedures, secrecy sleeve wording, authorization cards, ballot signature validation, timing of tabulation, potential bylaw changes and she requested having the annual meeting earlier in May or in April. She announced that 64 members cast their vote at the annual meeting. Discussion ensued on potential changes and included: invalid ballots and the process of verifying correct ballots before processing, the voting process and print vendors. Director McInnis pointed out the deadline for printing and getting the information to the printers in a timely manner. CEO Dreyspring recommended for La Plata County Clerk Tiffany Parker to conduct the election process in 2016. It was determined to add Board Policy 127, annual meeting voting procedure changes to the June agenda for further review.

ELECTION SUPERVISORY COMMITTEE

Attorney Spear reviewed past election processes for LPEA. In light of the problems faced by the election supervisory committee this year, he recommended a member from each district and the LPEA board appoint them with the corporate attorney an advisory role to the committee. He discussed in detail the process for disputes or conflict in future elections. Discussion ensued on the election supervisory committee process and members of the committee. La Plata County Clerk, Tiffany Parker recommended coming back next month with redline suggestions to LPEA Board Policy 127 annual meeting voting procedures on qualifications requirements for the election supervisory committee. It was determined to review at the June board meeting.

BYLAW CHANGES TO CONSIDER

CEO Dreyspring addressed and stated he would recommend proposed bylaw changes on director qualifications. CEO Dreyspring suggested that qualifications should include directors must be in good financial standing with the cooperative and its affiliates, and no felony convictions. It was noted that any bylaw change has to go before the membership for a vote. President Rendon requested more information on other cooperatives with directors selling electricity. Attorney Spear responded in his research with 3-4 cooperatives, none included that qualification for directors. CEO Dreyspring stated his experience at four prior cooperatives contained the same language as LPEA's language on directors not being in the business of selling electric energy. Discussion ensued on director qualifications and the affidavit. Additional discussion included: potential for looking to the future of member's potentially selling power back to the coop; net metering; and a committee for dispute resolution. CEO Dreyspring pointed out that Board Policy 127, included a dispute resolution, read the section and noted it was a strong policy. Discussion ensued. CEO Dreyspring stated he would suggest having a provision that there was no staff member on the election supervisory committee but would recommend a staff member available as a resource and recommended Cindy Straight.

President Rendon recommended that an email from member Gregg Dubit be moved to the June agenda, which was done.

ANNUAL MEETING REVIEW/SET NEXT YEARS DATE AND LOCATION

President Rendon requested review of the recommendations for the 2016 annual meeting. Discussion ensued including: content and clarity of reports given by directors at the 2015 annual meeting, venue recommendations, logistics, timing and set up issues, security, and timing. Recommendations for the 2016 annual meeting included holding it in early May at Sky Ute

Casino. CEO Dreyspring also recommended a \$20 credit to members on their bill for attending the 2016 annual meeting. Director feedback suggested that since the 2016 annual meeting would be centrally located within LPEA's service territory, a \$10 credit would be appropriate.

Motion: Director Compton moved to hold the 2016 LPEA annual Meeting on May 7, 2016 and May 14, 2016 as an alternate at Sky Ute Casino in Ignacio, CO; motion seconded and passed without dissent.

The board adjourned for lunch at 11:45 and reconvened at 12:15 P.M.

PAGOSA BIOMASS PROJECT WITH GUEST JR FORD

President Rendon introduced JR Ford. JR Ford introduced Dave Richardson and Matt Ford from Renewable Forest Energy LCC and he detailed information, history and benefits of the Pagosa Biomass project. Mr. Ford noted the size of the project had been reduced to 3 megawatts of power; reviewed the cost per kWh with a 2 % fixed escalation and projected online timeline for 2017. He requested a 15 year contract and approval for staff to move forward. CEO Dreyspring pointed out the potential issue with Tri-State policy 115 and noted he toured the operation and it was impressive. JR Ford noted forest health and benefits, and the project was a community scale approach with an investment in Pagosa Springs. He detailed the operations of the project, capacity and length of contract with the USFS (United States Forest Service), utilization of the wood chips, bio char benefits, wood innovations grant, benefits to LPEA members, local generation, fire mitigation, infrastructure protection, watershed protection, resilient forests, benefits to the community, and benefits to LPEA. He displayed a graph with comparisons of solar, solar gardens, hydro wind and the biomass project and requested approval of a PPA (Purchase Power Agreement) with LPEA. JR Ford took questions. Manager of Engineering, Ron Meier, reviewed the Pagosa biomass project in relation to LPEA. He reviewed fuel diversity, what was in LPEA's 5% allowed renewable energy amount, and displayed a graph of 2014 non Tri-State fuel sources of the 5%. He worked through a Tri-State policy decision matrix on Tri-State Policy 115 with how to measure the 5%. He reviewed the comparison of Tri-State Policy 115 & 118 options. He detailed other considerations including pros on economics development, forest health, micro grids benefits, and diversified generation mix. Ron Meier displayed a graph with the Pagosa Biomass pricing requirements with Tri-State policy 115 analysis and potential options for paying for LPEA's direct funding of the Pagosa Biomass project. He requested an executive session.

Motion: Director Berman moved to go into executive session to discuss the Pagosa Biomass project purchase power agreement, cost analysis of the Pagosa Biomass project and the current Williams's Energy distribution and generation contract at 1:12 P.M.; motion seconded and passed with Director Montoya dissenting.

The board went into executive session at 1:12 P.M.

The board came out of executive session at 2:35 P.M.

President Rendon stated that the LPEA Board thinks the Pagosa biomass was a great project

Motion: Director Bassett moved LPEA would like to see this project succeed but cannot yet commit to a specific number that LPEA would be willing to pay above the Tri State Policy 115 payments and would like to indicate support for this project going forward by stating that we would subsidize this project to some extent; motion seconded.

Discussion ensued on the LPEA board support of the project, wording of subsidy, strategic investment, supporting a reliable potential power supply in Pagosa Springs, economic development of the area, and the current costs that Pagosa Biomass presented to LPEA.

President Rendon called for a vote on the motion; motion passed with Director Montoya, Director Compton and Director McInnis dissenting and Director Barger abstaining.

JR Ford noted that Tri-State needed to get re-engaged in the process and requested support of the LPEA board and LPEA staff for moving forward on the project with Tri-State. CEO Dreyspring noted he would set up a meeting with Tri-State and JR Ford in the following week. Discussion included that LPEA supports the project, but the gap between Tri-State policy 115's offered pricing and what the project seeks added too much expense from LPEA to commit to this one project for much of the 5% without first reducing that gap. It was determined for CEO Dreyspring to move forward with negotiations on the project with Tri-State.

PROPOSED NRECA BOARD RESOLUTION, 2015-07

It was determined to move to the June agenda

APPROVED STRATEGIC PLAN

It was determined to move to the June agenda

REVIEW OF TRI-STATE 115 KV TRANSFER WITH STEVE GREGG

It was determined to move to the June agenda

REVIEW OF ATTORNEY

CEO Dreyspring reviewed LPEA Board Policy 119, Statement of Functions for Cooperative Attorney. He detailed the process he went through for obtaining other electric cooperative's forms for evaluating coop attorneys. He noted he would work with Attorney Spear on key areas that the board wanted to review him on and requested feedback. He stated after working with Attorney Spear he would come back with a draft evaluation. It was pointed out that the evaluation could work for both LPEA attorneys. CEO Dreyspring stated he understood he would create an electronic version and model after Mountain View with edits and he would send out a survey monkey for the board to conduct the evaluation with the electronic survey. Director Wheeling noted that the evaluation should include Attorney Shay Denning.

REVIEW LPEA BOARD POLICY 109, COMPENSATION OF DIRECTORS

CEO Dreyspring reviewed the highlighted line items in Board Policy 109 included in the May board packet for Directors submitting receipts when turning in their expense reports. CEO Dreyspring defined an issue on receipt submission and having the executive committee

addressing with the board member any issue with a receipt. It was determined for the GSA (General Services Administration) per diem link to be sent to the board.

REVIEW OF ATTORNEY PROPOSED LETTER TO TRI-STATE ON POLICY 115 (EXECUTIVE SESSION)

It was determined to move to the June agenda

ATTORNEY REPORT

Attorney Spear reviewed his written report. Items included: election process, changes to LPEA Board Policy 127, annual meeting voting procedures, Tri-State 115 kV transfer, reviewing contract on the condemnation, wholesale power agreement, Keith easement, ongoing foreclosures, Coyote Hill agreement, Tri-State rate issue and primary rate settlement, franchise agreement for Pagosa Springs, DMEA (Delta Montrose Electric Association) petition, and early repayment of the RUS Loan. He took questions on his report.

CEO AND STAFF REPORTS

CEO Dreyspring reviewed in detail the cost of service study bid proposals and gave an update on processing the proposals with senior staff. He stated that he and staff recommended New Gen to conduct the cost of service study. CEO Dreyspring and Manager of Engineering, Ron Meier both reviewed the rate calendar and timeline. CEO Dreyspring took questions on his report. COO Gregg addressed a question on a member survey happening in the fall. Director Bassett requested if there was any more information on the board expenditures topic. CEO Dreyspring reviewed in detail the reporting process and CFO Svanes also reviewed the updated process and addressed additional expenses for each director on training. Discussion ensued on director expenses and transparency. CEO Dreyspring stated he would have on the LPEA website the amount and training expenses for 2014 addressing the members question posed at the annual meeting. Manager of Engineering, Ron Meier addressed questions in his written report. Manager of Operations, Justin Talbot addressed questions in his written report.

FINANCIAL REPORT

CFO Svanes took questions on the written report included in the board packet.

MEMBER OPPORTUNITY REPORT

None reported

LPEA Headquarters energy audit

It was determined to move to the June agenda

REVIEW OF EMPLOYEE HOURS SPENT ON RENEWABLES

Manager of Engineering, Ron Meier took questions on the information.

LA PLATA ELECTRIC ROUND UP FOUNDATION REPORT

Director Lynch gave the Round Up Foundation report. There were 13,515 members rounding up which was down 61 from last month. He reported that there were three educational grants awarded. They were Pine River Learning Center for \$3,500, Pagosa Springs Destination Imagination for \$500 and Destination Imagination Riverview for \$1,000. Round Up awarded Durango Historical Society \$1,000; Thingamajig Theatre Company \$1,000; Fort Lewis Mesa Elementary \$2500; and HTB Softball \$1,000. Chief Operating Officer, Steve Gregg noted the Round Up Board had awarded the Powerhouse monies and since they have closed that the LPEA board needed to rescind the award.

Motion: Director Garcia moved to rescind the amount allocated to the PowerHouse; motion seconded and passed without dissent.

FASTTRACK COMMUNICATIONS REPORT

Director Wheeling gave a brief overview of the FastTrack May board meeting. He noted there were good sales activity, creating a strategic plan model, and a network engineer gave his notice. He took questions.

TRI-STATE REPORT

Director Wheeling gave his Tri-State report. He highlighted the rate committee meetings and that the rate committee would be voting tomorrow and there would be a 90 day cycle once approved by Tri State's board. He also noted the new rate policy has a 90 day waiting for comment from member systems. Additional items he highlighted included: the revised financial goals policy, operating margins, investment rate, they did not change equity cap and would drive the rate in coming years, CapEx review, discussion on changes and the timeline for bylaws, regional transmission market, and the surface mining decision. He took questions on his report.

Jack Turner left the meeting at 4:15 P.M.

RATE COMMITTEE MEETING UDATE WITH DAN HARMS

Dan Harms reviewed Tri-State 2016 preliminary rate impact analysis. Items he reviewed in detail included: annual impact of proposed rates, 2008-2015, annual average rates (\$/kWh), and committee polling results. The poll results included: budget year vs test year, use average excess demand allocation for non-fuel generation, align demand/energy split with cost of service, annual rate review process based on the cost of service model, annual rate review process based on the cost of service model, how to charge for demand use Tri-State Peak(TPP)/Member Coincidence Peak(MCP) for generation demand billing, how to charge for transmission use TPP/MCP, annual rate rather than a seasonal rate structure, use of cap in the rate structure to limit member variations in \$/kWh, use of cap in the form of products and service, and a phase in feature to recommend the rate structure. He displayed a rate comparison, graph covering peak period winter for LPEA total load, peak period winter, and possible TOU (Time Of Use) on peak, peak periods summer graph and possible TOU on peak. Additionally he noted other benefits, potential for an attractive TOU programs and industrial customers more likely to use coincident rate, improved net metering and solar garden economics over the TR-1 due to less emphasis on demand. He took questions on his report.

Tom Compton left the meeting at 4:45 p.m.

CREA Report

Director Berman reported there was a meeting in May and noted the legislative session was over for the summer. He highlighted Senate Bill 46 with it having support all around and that it would alleviate a challenge for some coops to meet the distribution generation portion of the Renewable Portfolio Standard adopted in 2013 with Senate Bill 252. He reported that CREA held a forum regarding distribution and load. He noted that the 3X multiplier for renewable energy credits expires in July and reviewed the potential affect. He concluded with the reports on the NRECA Legislative conference that were included in the May board packet. He took questions on his report.

WESTERN UNITED REPORT

Director Formwalt reported there was a purchase contract for a building in Albuquerque, NM, and the audit started last week. He stated the employees were paid a cost of living rate which went down 2.5% but the board voted not to impose it. He also noted the employees have a profit sharing program and the expansion of the company. He took questions.

4CORE

None reported

FUTURE COMMITTEE OF THE WHOLE MEETINGS AND FUTURE AGENDA ITEMS

CEO Dreyspring noted the future agenda items were included in the May board packet. Items noted to add included: review of the Round Up Foundation bylaws, Gregg Dubit email, Board Policy 127, annual meeting voting procedures, resolution 2015-07, NRECA board resolution, strategic plan, Tri-State kV 115 transfer, proposed letter to Tri-State on Policy 115, LPEA headquarters energy audit, staff conference and training report, benefits report, review/approve load forecast, review rate design calendar, Basecamp representatives for lunch and there would be a committee of the whole meeting in June.

UPCOMING EXTERNAL MEETINGS

President Rendon noted the upcoming external meetings list included in the May board packet including the CFC Forum, June 8-10 2015, Chicago, IL, and the CoBank Energy Conference, July 13-15, 2015 in July. Director Berman requested attending the CFC Forum, for which he was approved.

INTRODUCE ATTORNEY NANCY AGRO AND SUAE UPDATE AT 4:00 P.M. (EXECUTIVE SESSION)

EXECUTIVE SESSION

Motion: Director Berman moved to go into executive session to discuss the SUAE (Southern Ute Alternative Energy) project at 4:58 P.M; motion seconded and

passed without dissent. Attorney Spear was excused due to his firm's conflict in representing both LPEA and the Southern Ute Indian Tribe.

The board went into executive session at 4:58 P.M.

The board came out of executive session at 5:30 P.M.

OTHER BUSINESS

None

With no further business, the regular board meeting adjourned at 5:30 P.M.

Recorded by: Laura Rome

Approved by:



Michael Rendon, President



Jeff Berman, Secretary