

LA PLATA ELECTRIC ASSOCIATION, INC.
Board of Directors Minutes of Meeting
December 16, 2015
Durango, Colorado

I. CALL TO ORDER

The regular monthly meeting of the Board of Directors of La Plata Electric Association, Inc. was held Wednesday, December 16, 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 | Kohler McInnis | Karen Barger |
| Davin Montoya | Jeffrey Berman | Michael Rendon |
| Britt Bassett | Jack Turner | J. Robert Formwalt |
| Mark Garcia | Tom Compton | Bob Lynch |

Excused Absence:

None

Also present were:

Mike Dreyspring, Chief Executive Officer
Barry Spear, Attorney
Steve Gregg, Chief Operating Officer
Dennis Svanes, Chief Financial Officer
Ron Meier, Manager of Engineering
Justin Talbot, Manager of Operations
Dan Harms, Manager of Rates, Technology, and Energy Policy
Indiana Reed, Marketing & Communications Consultant
Charis Charistopoulos, Executive Assistant

GUESTS (from sign in sheet):_The following guests were present:

Betsy Romere
Ron Bishop
Michael Bell
Sylvia Zurko
Ann McCoy Harold
Pat Rustad
Trevor Hewitt
Werner Heiber

Director McInnis led the Board, Staff, and guests in reciting the Pledge of Allegiance.

I. APPROVAL OF AGENDA

President Rendon addressed the December 16, 2015 agenda.

Motion: Motion by Director Formwalt to approve the December 16, 2015 Board of Directors' meeting agenda. Motion seconded, and carried unanimously.

II. MEMBER COMMENTS AND CONCERNS

Ron Bishop expressed concerns about unfairness of subsidization of solar power and raising the base rates for solar energy producers to compensate for the disparity. Sylvia Zirco addressed the LPEA board with her concerns about the \$300 fee for service redesign. Manager of Engineering, Meier is to work with Ms. Zirco. Werner Heiber quoted former CEO Greg Munro's prediction that local distributive energy would make up 50% of LPEA energy, and expressed that LPEA should consider this to keep energy rates affordable and decrease the base rate. Nancy Fischer expressed that the rates don't make sense because they are going up for the residents and down for corporations. Pat Rustad stated she was attending to get a better understanding of the rate decision.

Concerns were acknowledged by the Board, and members were thanked for their contributions and invited to remain for the Board discussion of Agenda Item IV. A., "2016 Rate Design." Dan Harms answered questions on the base rate and explained that Tri-State's rate restructure resulted in the commercial rates adjusting downward.

III. CONSENT BOARD ITEMS

The consent board items were presented.

Motion: Director Turner moved to approve consent items which include: capital credit payments to estates, November write-offs, accepting new members and the minutes of the November 18, 2015 regular Board meeting with corrections as discussed and agreed upon by the Board.

Motion seconded. All in favor of approving the November 18, 2015 minutes with approved changes. Motion carried.

IV. ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION

2016 RATE DESIGN: RESOLUTION 2015-17- Attorney Spear indicated that if the November resolution 2015-17 were rescinded, no notice would be required since there would be no change in the rates. Dan Harms reviewed the concerns and responses from 21 members who contacted LPEA about the proposed 2016 rates. Discussion ensued regarding the Cost of Service Study. Concern was expressed by Directors Bassett and Turner that a "preliminary" vote was not taken before a final vote. Discussion ensued regarding expectations and establishing a timeline for future process of rate design. The Board gave direction that Dan Harms will prepare a timeline for 2017 rate design process, as well as a Strategic Plan and policy review for presentation at the January 20, 2016 Board meeting in order to have ample opportunity for discussion and decision making in the future.

Motion: Director Garcia motioned to amend Resolution 2015-17 to include no change in the base rate for customer classes 10, 15, and 15 ETS. Motion seconded, Directors Lynch, Bassett, Berman, Garcia, Rendon and Turner in favor; Directors Wheeling, Montoya, McInnis, Barger, Formwalt, and Compton opposed. Motion failed 6/6.

TRI-STATE POLICY 115 vs NET METERING – In response to a recommendation in a legal opinion from Attorney Spear that LPEA management provide a financial analysis assessing any difference between the All Power Requirement contract's 5% Distributed Generation (DG) allowance and Tri-State's policy 115, Dan Harms presented the general economics of Tri-State Policy 115 compared to a Qualifying Facility (QF) with net metering, concluding that a QF could provide a hedge against Tri-State's rising rates. It remains to be seen what changes to Tri-State's policy 115 will take place and the type of growth that will occur with DG.

POLICY 121: DISCUSSION OF EDUCATION, BUDGET AND COMPLIANCE- Director McInnis expressed a need to refine Policy 121 for Board travel and education with consideration given to set budgets and greater definition of purpose and accountability. CEO Dreyspring was given direction to contact United Power and other large co-ops regarding their policies on Director education and travel, and present findings at the January 20, 2016 Board meeting for the purposes of helping to establish guidelines for refinement of LPEA Policy 121.

DIRECTOR CREDIT CARD DISCUSSION- The option of providing credit cards for Director expenses to manage and track expenses was discussed. There was consensus among the Board to forego the option of Director credit cards, and instead utilize the services of the Executive Assistant for payment of travel and education expenses.

DISCUSSION OF MINUTES: LENGTH, COMMITTEE OF THE WHOLE AND EXECUTIVE SESSION MINUTES – Directors discussed length of minutes, capturing Board intention, and committee and executive session minutes. Majority consensus was reached for a goal of no more than 8 pages for regular Board minutes; Committee of the Whole minutes will be a stand-alone document not to be included with the regular Board minutes; Executive Session minutes will continue to be taken by the Attorney and retained in his custody upon request. Straw polls will be taken at the call of the President.

REVIEW OF MEMBER / MARKETING SURVEYS – CEO Dreyspring reported that Donna Graves was selected to administer the 2016 member survey and she will present objectives and methodology at the January meeting. Dreyspring summarized the 2010 member survey produced by NRECA. Surveys will be enclosed in the monthly bills of all members, and provided electronically where possible.

COLORADO COUNTRY LIFE SUBSCRIPTION – Director Berman shared concern that Colorado Country Life editorials mislead LPEA members, and that the agreement with CREA granting the LPEA Board an opportunity to reject editorials prior to publication was violated and should be reviewed. It was clarified during this discussion that the LPEA Board provided direction to CEO Dreyspring to forward potentially controversial CCL articles to the Board, and that Director comments be provided to the CEO, who retains final discretion in dealing with CREA on the article in question. Members in attendance, Betsy Romere, Ann McCoy Harold, and Michael Bell expressed appreciation for the all-inclusive, broad content of the magazine, and their opinion that discontinuation of the subscription amounted to censorship.

Based on discussion of the Board, President Rendon gave direction that LPEA would table further discussion until after the results of the Member Survey were available, and then consider an invitation to CREA staff to speak with the Board about the editorial review agreement.

DIRECTOR REIMBURSEMENTS

Treasurer Barger reported that totals were correct and that no questions were necessary. Director reimbursements were presented and reviewed:

LPEA Mileage Reimbursements

| | | | |
|-----------------|---------|----------------|---------|
| Karen Barger | \$14.95 | Bob Lynch | \$69.00 |
| Britt Bassett | \$00.00 | Kohler McInnis | \$00.00 |
| Jeff Berman | \$00.00 | Davin Montoya | \$20.13 |
| Tom Compton | \$20.13 | Michael Rendon | \$00.00 |
| Robert Formwalt | \$69.00 | Jack Turner | \$00.00 |
| Mark Garcia | \$69.00 | Joe Wheeling | \$14.95 |

LPEA Board Meeting

| | | | |
|-----------------|-----------|----------------|-----------|
| Karen Barger | \$1200.00 | Bob Lynch | \$1200.00 |
| Britt Bassett | \$1200.00 | Kohler McInnis | \$1200.00 |
| Jeff Berman | \$1200.00 | Davin Montoya | \$1200.00 |
| Tom Compton | \$1200.00 | Michael Rendon | \$1200.00 |
| Robert Formwalt | \$1200.00 | Jack Turner | \$1200.00 |
| Mark Garcia | \$1200.00 | Joe Wheeling | \$1200.00 |

Other External Meetings

| | | | |
|-----------------|----------|----------------|----------|
| Karen Barger | \$00.00 | Bob Lynch | \$657.00 |
| Britt Bassett | \$00.00 | Kohler McInnis | \$268.40 |
| Jeff Berman | \$600.00 | Davin Montoya | \$00.00 |
| Tom Compton | \$00.00 | Michael Rendon | \$00.00 |
| Robert Formwalt | \$200.00 | Jack Turner | \$375.00 |
| Mark Garcia | \$319.00 | Joe Wheeling | \$00.00 |

Discussion ensued regarding the inclusion of IRS reporting requirements on the monthly Director expense forms. The Board directed CFO Svanes to revise the Director expense forms to include IRS 990 reporting requirements.

Motion: Director Compton motioned to approve the Director reimbursements as presented. Motion seconded and carried unanimously.

V. CEO AND STAFF REPORTS

Written reports by CEO Dreyspring and Staff were included in the December Board packet. Verbal reports were presented to the Board of Directors.

VI. ITEMS REQUIRING BOARD ACTION

ROUND-UP APPOINTMENTS – The Board approved the following candidates for open seats on the Round-Up Board:

District 1 – Carmen Hubbs, or alternate Melinda Volger

District 3 – Ellen Stein

District 4 – Jenn Bartlett

Motion: Motion to approve the first choice of candidates by Director Montoya. Motion seconded and carried unanimously.

ON-BILL FINANCING RESOLUTION 2015-18 – CFO Svanes presented and took questions on a presentation of On-Bill Financing (OBF) for energy efficiency measures for LPEA members. Discussion ensued regarding delinquencies, promissory notes, unsecured loans, and tariff options. Director Berman suggested requiring an energy assessment or audit to ensure the utility of energy efficiency measures to be financed through OBF. The Board reached consensus and gave direction that Staff would return at some point in the first quarter to present 3-4 measures of success for OBF, include an energy assessment requirement in the contract, and create a 300 series policy around OBF.

CONSIDERATION OF DELEGATES TO NRECA, CFC, NRTC, AND NISC ANNUAL MEETINGS – Based on discussion of the Board, consensus was reached in designating Director McInnis as the 2016 LPEA delegate, and Director Turner as the 2016 alternate delegate.

Motion: Motion to approve Director McInnis as primary delegate and Director Turner as alternate by Director Montoya; motion seconded and carried unanimously.

CAPITAL CREDIT RETIREMENT ADJUSTMENT: RESOLUTION 2015-19 – This resolution was reviewed and discussed in executive session.

VII. ATTORNEY REPORT

A written report by Attorney Spear was included in the December Board packet. A verbal report was given by Spear who also took questions.

VIII. DIRECTOR REPORTS AND OTHER BOARD ACTIONS

STRATEGIC PLANNING COMMITTEE REPORT – Director Lynch, who chaired the Strategic Planning Committee (SPC) of the LPEA Board reported on the November 23 and December 14, 2015 meetings of the SPC, as well as various telephone conferences held between the official meeting dates. Director Lynch laid out the committee’s work into three areas, Formatting and Layout, Gaps, and Vision. Director McInnis’s presentation of format changes and the need for a vision statement was met favorably by the Board.

The committee identified potential gaps in the plan relating to power supply issues and proposed processing with the full Board in a workshop during the first quarter of 2016. This will be followed by a 1-2 day full Board retreat in the second quarter to process gaps mined from Greg Aliff’s presentation and seek Board direction on findings. Lastly, a full Board assessment of LPEA’s strategic plan was proposed for the 3rd or 4th quarter of 2016 to determine next steps. Meier will also conduct an employee survey in the 1st quarter to aid in the development of a

vision statement by the full Board. The full SPC proposal was met favorably and agreed upon by the Board, and Directors are being polled on a workable date for the 1st quarter workshop.

LPEA ROUND-UP FOUNDATION MEETING REPORT - Director McInnis reported that the three outgoing Directors will attend the next Round-Up meeting to be honored by the committee. President Rendon directed District Directors to put respective candidates in touch with Public Relations Coordinator, Jeannie Bennett for orientation.

FASTTRACK COMMUNICATIONS REPORT - Director Wheeling presented and took questions on FastTrack Communications.

TRI-STATE REPORT - Director Wheeling presented and took questions on Tri-State written report included in the December Board packet.

CREA REPORT – Director Berman presented and took questions on CREA’s written report included in the December Board packet. There was consensus among the Board that no one would attend the Legislative Conference in May 2016 since both the House of Representatives and Senate would not be in session, and CREA should seek as much of a refund on lodging as possible.

WESTERN UNITED REPORT – Bob Formwalt presented and took questions on Western United report included in December Board packet.

4CORE REPORT – Jack Turner presented and took questions on 4CORE and requested that funding for 4CORE be addressed in January 2016 Board meeting.

IX. FUTURE AGENDA ITEMS AND COMMITTEE SCHEDULES

1. Timeline for 2017 Rate Design which includes preliminary and final approval, Strategic Plan and policy review.
2. Review of Line Extension policy.
3. Discuss 2016 funding for 4CORE.
4. Board Expense and travel policy review – findings by CEO Dreyspring on United Electric and other large co-ops.
5. Revision of Director expense form to include IRS 990 reporting requirements on monthly form.
6. Invitation to Director of the Center for a New Energy Economy and former Colorado Governor Bill Ritter to speak at the LPEA 2016 Annual Meeting.

X. UPCOMING EXTERNAL MEETINGS

January 8, 2016 - LPEA Holiday Dinner

January 18, 2016 - Committee of the Whole meeting (MLK holiday)

February 14-17, 2016 - NRECA Annual Meeting

February 27-March 1, 2016 - CREA Annual Meeting

April 2016 - Board consensus for Director Turner to attend 4th Annual Micro Grid Conference
Date TBD – Director Wheeling arranged for a 2nd Director Orientation with Tri-State for those who could not attend the previous orientation

XI. REVIEW OF CEO ACTION LIST

CEO Dreyspring reviewed actions items that arose from Board discussions for follow-up, including:

1. Revisit Line Extension Policy
2. Dan Harms prepare timeline for 2017 rate discussion in 2016 that includes a preliminary and final vote, as well as a review of strategic plan and policies
3. Contact United Power and other large co-ops for information about their Director expense and travel policies
4. Revise current Director expense form to include IRS 990 filing requirements and present at next meeting
5. Invite Director of the Center for a New Energy Economy and former Colorado Governor, Bill Ritter, to speak at the LPEA 2016 Annual Meeting

XII. EXECUTIVE SESSION

Motion: Motion by Director Berman to go into Executive Session to discuss Capital Credit Retirement Resolution 2015-19, the CPUC case against Tri-State, review and approve cancellation of an Electric Services Agreement with BP. Motion seconded and carried unanimously. The Board of Directors went into Executive Session from 5:20 PM to 6:12 PM.

Motion: Motion by Director Compton to approve Capital Credit Retirement Adjustment Resolution 2015-19. Motion seconded and passed unanimously.

Motion: Motion to accept BP's request to terminate Transmission Services Agreement by Director Berman. Motion seconded and passed unanimously.

There being no further business, the LPEA Board of Directors meeting adjourned at 6:13 pm.

Recorded by: Charis Charistopoulos

Approved by: _____
Michael Rendon, President

Jeff Berman, Secretary