

LA PLATA ELECTRIC ASSOCIATION, INC.
Board of Directors Minutes of Meeting
May 18, 2016
Durango, Colorado

I. CALL TO ORDER

Member, Michael Bell, led the Board, staff, and guests in reciting the Pledge of Allegiance.

The regular monthly meeting of the Board of Directors of La Plata Electric Association, Inc. was held Wednesday, May 18, 2016 at the headquarters building in Durango, Colorado. President Montoya called the meeting to order at 9:01 A.M., with the following Directors present:

Mike Alley	Bob Formwalt	Kohler McInnis
Karen Barger	Dan Huntington	Davin Montoya
Britt Bassett	Bob Lynch	Jack Turner
Jeff Berman		Joe Wheeling

EXCUSED ABSENCE:

Doug Lyon

LPEA STAFF:

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

GUESTS (from sign in sheet): The following guests were present: Betsy Romere, Ron Bishop, Aaron Dunlap, Michael Bell, John Beebe, Ana McCoy Harold, Lissa Ray, Bekah Kuster and Mike Larson

I. APPROVAL OF AGENDA

President Montoya addressed the May 18, 2016 agenda.

Motion: Motion by Director McInnis to approve the agenda as presented; motion seconded and carried unanimously.

II. MEMBER COMMENTS AND CONCERNS – Animas High School senior, Bekah Kuster addressed the Board with ideas for *Foundation Strategies for Clean Energy*, as part of her senior project which include Collaborating, Establishing Ambitious Energy Goals, and Implementing Policies. CEO Dreyspring thanked Kuster and shared that member and LPEA focus on renewables is very timely with her presentation.

Mike Larson asked the Board to consider installing charging stations in town to promote electric vehicle purchase and usage. CEO Dreyspring stated that LPEA would respond if electric vehicles became a member demand, and thanked Larson for addressing the Board.

Lissa Ray restated a request to have audio and/or video transcripts of LPEA Board meetings available online for transparency and member reference.

John Beebe thanked the Board and staff for a well-run Annual Meeting, and asked them to consider speaker introductions for the 2017 Annual Meeting.

III. CONSENT BOARD ITEMS

The consent board items were presented.

Motion: Director Formwalt moved to approve consent items: capital credit payments to estates, monthly write-offs, and minutes of the April 2016 Committee of the Whole and Board meeting.

Motion seconded, and carried unanimously. The Board agreed that spelling of Mike McInnis's name will be corrected, and minutes for a Special Meeting to approve the New Member List at the May 7, 2016 Special Meeting will be presented for approval in June.

IV. CEO AND STAFF REPORTS

Written reports by CEO Dreyspring and Staff were included in the May Board packet and staff took questions. The Board Safety Report, Financial Report, Staff Conference and Training Report and Member Opportunity Report were also available for review in the Board packet and staff took questions.

V. ITEMS REQUIRING BOARD ACTION

RESOLUTION 2016-07 TRI-STATE QF WAIVER—CEO Dreyspring explained that under the Federal Energy Regulatory Commission (FERC) qualified facility (QF) waiver, co-ops could waive and transfer the right to negotiate with a QF to Tri-State who is then required to negotiate with a QF under Public Utilities Regulatory Policies Act (PURPA) regulations. Should LPEA

adopt the waiver, negotiations with a QF would take place with Tri-State. Should LPEA elect not to adopt the waiver, LPEA would be obligated to negotiate directly with the QF.

Staff is recommending adoption of the waiver, as it has little impact on LPEA's 5% allowance because under Tri-State Policy 118, LPEA could still enter into a purchase power agreement (PPA) with a QF project, and LPEA has the ability to petition FERC for a withdraw of the waiver at any point in the future.

Discussion centered on Tri-State's responsibility to negotiate their avoided costs to the QF, and LPEA's ability to insert themselves into the negotiating process through Policy 118 and support the project above Tri-State's avoided cost. The Board discussed the option of waiving project negotiations to Tri-State on a case-by-case basis, rather than entering into a blanket agreement and impairing the ability to support local economic development.

Motion: Director Bassett moved that LPEA not waive rights to negotiate with QFs to Tri-State. Motion seconded by Director Turner.

CEO Dreyspring addressed the impact of known projects on the 5% allowance, and Tri-State's previous decline to take action on biomass negotiation attempts with LPEA. Tri-State will collect from LPEA the difference between the avoided costs of a PPA with a QF and the all power requirements (APR) contract with Tri-State. There is an economic benefit to allowing Tri-State to exhaust their negotiating ability with a QF before LPEA negotiates a PPA with a QF.

Harms discussed variables at play, which include the 2017 expiration of contracts under the 5% allowance, and proposed changes to Tri-State Policy 115, which allows for net metering of DG projects. Attorney Spear and Director Wheeling reiterated that the June 1 deadline to decide is not a court deadline, and can be postponed.

Motion Resumed: Director Bassett restated the motion that LPEA not waive its rights to negotiate with QFs. Motion failed on a 5 to 4 vote, with two abstentions.

Motion: Director Wheeling moved to table the discussion until the June Board meeting. Motion seconded, and carried without dissent.

CEO Dreyspring was directed to return in June with a presentation on the QF waiver to include numbers in different scenarios, legal impact of the Tri-State and DMEA FERC decision and its timing, high level points in the argument for approving the waiver, a poll of Tri-State member systems and their rationale for the decision made by their respective co-ops, and how it ties in with LPEA's strategic plan.

ANNUAL MEETING REVIEW/SET 2017 DATE AND LOCATION—Linda Looman summarized results of the Annual Meeting survey that ranked member satisfaction of the registration process, guest speaker, CEO report, Board of Directors, Attorney and affiliate reports, and meal. Ratings were above 4 out of 5, and comments were overwhelmingly positive and humorous. There was consensus among the Board to confirm the Sky Ute Event Center for May 13, 2017. Staff will endeavor to shop local for member gift bags.

VI. ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION

POWER SUPPLY GAPS -- Ron Meier reviewed the strategic planning process for identifying power supply gaps that the Board was taken through during the March 30 Power Supply Gaps education workshop. Meier discussed the following outcomes:

- The need to develop a better relationship with Tri-State
- The need for competency in understanding transmission market developments in light of open access deregulation
- The need to monitor the Kit Carson buyout
- Whether to sell the 115 kV line
- How to fill the 5% allowance within the APR and what to do when the 5% is reached
- How to handle QFs that are outside the 5% APR allowance
- Giving consideration to LPEA owned DG projects.

The next step is to develop Objective and Initiative tasks that address the gaps for Board discussion and consideration.

CEO Dreyspring led a follow up discussion about *Life Below the 5% Allowance*, which analyzed growth projections, trends, and variables for current and prospective DG projects that could move LPEA to the 5% allowance in 2017. Discussion ensued about the diversity and reliability of pending projects, whether negotiations with Tri-State were necessary, and whether or not consideration of reliability and diversity play into strategic planning.

Dreyspring will develop a matrix that lays out all aspects of the DG project pool to aid the Board in decision making when proceeding toward the 5% DG allowance.

VEGETATION MANAGEMENT POLICY CONCEPT—Justin Talbot presented a draft policy and discussed the purpose and provisions that define criteria assessments, actions, and maintenance commitments. The policy addresses permits, maintenance standards, hazardous tree removal and trimming, debris and vegetation control, and the tree trade-out program to compensate members for lost trees. Talbot took input from the Board, and will present a final draft of the policy at the June Board meeting.

LINE EXTENSION POLICY REVIEW—Ron Meier presented an overview and chronological history of the policy, intended to determine if cost adjustments were necessary to keep up with industry changes. Gayle Norman, Manager of Staking Services, took questions on the policy and process. The Board discussed interest in moving forward with the policy, as it has been effective and has worthwhile economic benefits. The Board agreed that there is no basis to revise the underlying intent of the policy; however, some language clarification and the addition of a DG classification will be necessary. Meier will present the updated version for Board review at the June Board meeting.

AUDIO RECORDING OF BOARD MEETINGS—Dan Harms reviewed the prior Board decision about video recording, and discussed the feasibility of audio recording with proper rules and guidelines in place. CEO Dreyspring polled other co-ops on their experience with such, and

found that opinions regarding recording of any kind for public or member consumption is generally unfavorable. Attorney Spear added that Colorado law requires only written minutes to be provided. There was consensus among the Board not to proceed with making recordings available for public consumption at this time. CEO Dreyspring will draft a letter explaining the Board’s decision to member Lissa Ray who initiated the request, and was not present for the discussion.

POLICY 368 ON-BILL FINANCING FOR ENERGY EFFICIENCIES—CFO Svanes advised that On Bill Financing allows members to finance energy efficient products at a special interest rate through a partnership with First Southwest Bank and LPEA, and payments appear on the LPEA bill. LPEA will provide the applications and collect loan payments to submit to the bank; as well as, collect receipts to prove the required purchase.

The bank is responsible for approving loan amounts from \$500-\$7,500 with up to 60-month terms, and assumes all collection risks. Partial payments on LPEA accounts, with both an electric bill and loan payment, will be applied first to the electric bill. Members with these loans will not have their accounts disconnected for failure to pay the loan amount. Amounts above the cost of the bill will be submitted for loan payment.

The Board discussed measures of program success, customer demand, and the role of the energy auditor. Svanes recommended approving Policy 368 and adopting Resolution 2017-08.

Motion: Director Wheeling moved to approve Policy 368 On-Bill Financing for Energy Efficiencies; motion seconded and carried unanimously.

RESOLUTION 2016-08 FIRST SOUTHWEST BANK -- ON-BILL FINANCING

Motion: Director Barger moved to approve Resolution 2016-08 First Southwest Bank—On-Bill Financing; motion seconded and carried unanimously.

DIRECTOR REIMBURSEMENTS -- Treasurer Barger reported the Director expense items which include the April 6, Annual Meeting dress rehearsal.

LPEA Mileage Reimbursements

Mike Alley	\$129.60	Bob Lynch	\$129.60
Karen Barger	\$28.08	Doug Lyon	\$00.00
Britt Bassett	\$00.00	Kohler McInnis	\$17.28
Jeff Berman	\$00.00	Davin Montoya	\$37.80
Robert Formwalt	\$129.60	Jack Turner	\$28.08
Dan Huntington	\$51.84	Joe Wheeling	\$28.08

LPEA Board Meetings

Mike Alley	\$1400.00	Bob Lynch	\$1400.00
Karen Barger	\$1400.00	Doug Lyon	\$0000.00
Britt Bassett	\$1400.00	Kohler McInnis	\$1400.00

Jeff Berman	\$1400.00	Davin Montoya	\$1400.00
Robert Formwalt	\$1400.00	Jack Turner	\$1400.00
Dan Huntington	\$1400.00	Joe Wheeling	\$1400.00

Other External Meetings

Mike Alley	\$379.60	Bob Lynch	\$00.00
Karen Barger	\$150.92	Doug Lyon	\$00.00
Britt Bassett	\$00.00	Kohler McInnis	\$150.92
Jeff Berman	\$946.60	Davin Montoya	\$00.00
Robert Formwalt	\$200.00	Jack Turner	\$00.00
Dan Huntington	\$301.84	Joe Wheeling	\$161.72

Motion: Director McInnis motioned to approve Director expenses as presented. Motion was seconded and carried.

VII. ATTORNEY REPORT – Attorney Spear addressed and took questions on the written report included in the Board packet. Shay Denning will begin transitioning legal services for Spear, who is retiring, beginning at the June meeting, with a complete transition when the current Attorney Contract expires.

President Montoya addressed member Lissa Ray, who returned to the Board meeting. Montoya informed her of the Board’s decision against recording the meetings. CEO Dreyspring assured that he would send a letter to her detailing the Board decision, and thanked her for initiating the discussion.

X. UPCOMING EXTERNAL MEETINGS – Upcoming external meetings were discussed and no additional training and travel was requested.

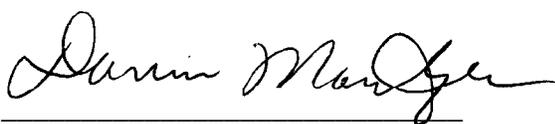
XI REVIEW OF CEO ACTION LIST -- CEO Dreyspring reviewed the list of action items taken from the Board meeting, and answered all questions.

IX. FUTURE AGENDA ITEMS AND COMMITTEE SCHEDULES – The Board reviewed the items and schedule and had no questions.

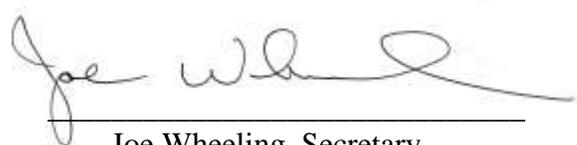
There being no further business, the LPEA Board of Directors meeting adjourned at 2:50 PM.

Recorded by: Charis Charistopoulos

Approved by:



Davin Montoya, President



Joe Wheeling, Secretary