

LA PLATA ELECTRIC ASSOCIATION, INC.
Board of Directors Minutes of Meeting
June 15, 2016
Durango, Colorado

I. CALL TO ORDER

The regular monthly meeting of the Board of Directors of La Plata Electric Association, Inc. was held Wednesday, June 15, 2016 at the headquarters building in Durango, Colorado. President Montoya called the meeting to order at 9:00 A.M., with the following Directors present:

Mike Alley	Bob Formwalt	Kohler McInnis, Vice President
Karen Barger, Treasurer	Dan Huntington	Davin Montoya, President
Britt Bassett	Bob Lynch	Jack Turner
Jeff Berman	Doug Lyon	Joe Wheeling, Secretary

EXCUSED ABSENCE:

None.

LPEA STAFF:

Mike Dreyspring, Chief Executive Officer
Dennis Svanes, Chief Financial Officer
Ron Meier, Manager of Engineering, Member Relations and Marketing
Justin Talbot, Manager of Operations
Indiana Reed, Marketing & Communications Consultant
Linda Looman, Manager of HR and Customer Service
Charis Charistopoulos, Executive Assistant
Shay Denning, Attorney

GUESTS (from sign in sheet): The following guests were present: Lori Schell, Deni Blaisch, Helen Ruth Aspaas, Ann Markward, Myra Mavin, Lissa Ray, Bill Waters, Harry Riegle, Kristi Streiffert, Tim Wheeler, Rebecca Kauffman, Peter May Ostendorp, Sweetie Marbury, Tiffany Parker, Sherry Plowmen, J.R. Ford, Tony Hudspeth, Betsy Romere, Andrew Zeiler, Paul Senecal, Tom Campbell, Domi Frideger, Laurie Dickson, Susy Raleigh, Gary Frederick, Flow Zerr, Trevor Hewitt, Nicolaas Van Vanno, Mike Larson, Louise Van Vanno, John Erickson, Clifford Field, Michael Taylor, Marilyn McCord, Michael Bell, and Fraser Houston.

I. APPROVAL OF AGENDA

President Montoya addressed the June 15, 2016 agenda.

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

Director Huntington led the Board, Staff, and guests in reciting the Pledge of Allegiance. Director Jack Turner requested a moment of silence for the tragic loss of life experienced at the Pulse nightclub in Orlando, Florida this week.

II. MEMBER COMMENTS AND CONCERNS – Director Montoya addressed the 41 members present at the time, and asked for a show of hands indicating opposition to LPEA adoption of the Qualified Facilities (QF) Waiver to Tri-State; 26 responded affirmatively. President Montoya stated his desire to provide information that seemed to be lacking for the members, as indicated by the many letters to the editor and to the LPEA Board, and Staff; and that the QF Waiver may not come to a vote today, or for some time.

The LPEA Board of Directors and CEO responded to 14 members who voiced a range of concerns about reliance on coal, climate change, a reduction on renewable energy credits, and the importance of renewables and storage as the solution to the growing energy crisis; as well as, opinions that Tri-State is disinterested in local co-op control, relies too heavily on subsidies, and is unwilling to invest in renewables beyond the front range.

Questions were raised about Staff consensus to sign the waiver; what impact the pending Federal Energy Regulatory Commission (FERC) ruling on the case filed by Tri-State seeking approval of its revised Policy 101 might have on LPEA's decision to adopt the waiver; and the cost and uncertainty of the option to rescind the waiver, which requires FERC approval.

Director of the Pagosa Springs Biomass Project, J.R. Ford, of Renewable Forest Energy LLC, addressed the mixed messages and frustrations he has experienced in his dealings with Tri-State, and their unwillingness to negotiate in good faith after he and LPEA followed through on all of Tri-State's prerequisite conditions.

Member Gary Frederick called for a citizen's committee to oversee the LPEA Board of Directors. Ford, Frederick, and a majority of others strongly urged the Board not to adopt the QF Waiver to Tri-State. Durango City Council member, Sweetie Marbury asked the Board to postpone the vote until more information was available, in light of the franchise agreement between the City of Durango and LPEA for solar gardens, and legal concerns that may arise.

At 9:45 A.M., President Montoya advised that member comments would be closed in order to hear from three other presenters who were scheduled to address the Board on unrelated items. Discussion ensued about allowing further member questions and commentary, changing the agenda to accommodate discussion, and the need to hear from the LPEA Board and Staff about the reasons for considering the waiver.

Motion: Director Turner moved to amend *Item I. Approval of the Agenda*, and move item *VI. E. Resolution 2016-07 LPEA's QF Waiver to Tri-State (i.e., CEO presentation on the PURPA Qualified Facilities Waiver Decision)*, to occur after *Item II. Member Comments and Concerns*, as the next item of business. Motion seconded.

President Montoya responded that it was the will of the President and CEO to allow the amendment to the agenda, and the Board agreed to move into the CEO presentation on the *PURPA Qualified Facilities Waiver Decision*. Forty-eight members were numbered in attendance as CEO Dreyspring began a presentation.

VI. E. RESOLUTION 2016-07 LPEA's QF WAIVER TO TRI-STATE: CEO presentation on the PURPA Qualified Facilities Waiver Decision—CEO Dreyspring explained that Tri-State's waiver establishes Tri-State as the primary negotiator with distributed generation (DG) projects that file to become a Qualifying Facility (25kW - 80mW) under the PURPA regulations, and does not impact non-QF status projects such as Community Solar Gardens and net metered accounts, unless they file for and obtain QF status by FERC.

Dreyspring expounded on Tri-State Policy 101 (protocol for the QF project process), Policy 115 (compensation and incentives), and 118 (exceeding the 5% DG allowance); and explained that PURPA established a class of generating facilities known as Qualifying Facilities (QFs) that receive special rates and regulatory treatments in order to encourage renewable generation, and requires Tri-State and member co-ops to negotiate with minimum requirements.

Dreyspring ran through two outcomes of negotiating with a QF: with or without the waiver; and in the event that FERC rules favorably for DMEA (who is challenging Tri-State's Policy 101 which deals with the recovery of avoided costs from co-ops that negotiate directly with QFs).

Under PURPA regulations, Tri-State is obligated to offer the minimum price of their fixed (avoided) cost in negotiations with a QF that meets their standards, but is not required to enter into a Purchase Power Agreement (PPA) if that price is not acceptable to the QF. Should a QF find Tri-State's minimum price acceptable and enter into a contract, LPEA benefits financially, and retains control over the 5% DG allowance within its contract with Tri-State. If the Tri-State offer is not sufficient, LPEA has the option under Policy 115, to contribute to the price required by the QF, on top of the minimum fixed cost recovery price offered from Tri-State. If Tri-State's offer is not agreeable to the QF, LPEA can step in and subsidize the project under Policy 118 without breaching the 5% limit on DG within in the contract with Tri-State.

In the event FERC rules that Tri-State can recover its fixed costs, and LPEA does not sign the waiver, long term risks include: putting LPEA at huge financial risk if Tri-State is allowed to recover its costs; the financial viability of Tri-State and LPEA's Time Of Use and other rate options become questionable; and LPEA has diminished control over its purchased power expense.

Dreyspring emphasized that adopting the waiver at this time is not imperative, advising that three responses are available based on feedback he received from 32 co-ops, 18 of which had adopted the waiver as of June 10th: adopt the waiver, reject the waiver, or wait and see how FERC rules on Tri-State Policy 101. He ran hypothetical pricing scenarios, showed how the waiver tied into LPEA's mission statement and strategic plan, and touched on risks and exit strategies based on a decision either way. Key points in favor of the waiver were highlighted, which were policy based, economic considerations that allow LPEA to be beneficially involved in QF negotiations, with or without Tri-State's involvement.

Dreyspring took all questions and discussed the impact of Tri-State's excess capacity on decisions to negotiate with DG for capacity that is not needed; standby and the physics of power on the grid; the timing and appropriateness of making a decision to adopt the waiver before knowing the outcome of the FERC ruling in the DMEA case against Tri-State; the bankruptcies filed by other coal fired power plants; LPEA's control over the 5% allowance; and the litigation expense of rescinding the waiver. J. R. Ford admonished the Board to take the lead, and join with other co-ops to negotiate simpler policies with Tri-State that benefit DG projects, and unburden them from Tri-State's perceived unwillingness to negotiate in good faith.

Upon conclusion of the discussion, the *PURPA Qualified Facilities Waiver Decision* presentation was posted to the LPEA website at the request of the members.

The Board agreed to hear 4CORE Program Manager, Laurie Dickson present the grant request for SW Horizons Community Solar Garden before breaking for lunch. It was also the will of the Board that the vote on Resolution 2016-07 LPEA's QF Waiver to Tri-State will resume after the lunch break, and take place in the natural order of the agenda. Presentations by Jack Llewellyn of the Durango Chamber of Commerce, and Tiffany Parker, La Plata County Clerk and Recorder, will be rescheduled for a later date.

III. CONSENT BOARD ITEMS

The consent board items were presented.

Motion: Director McInnis moved to approve consent items: capital credit payments to estates, monthly write-offs, and minutes of the May 2016 Special meeting, Committee of the Whole meeting, and Board meeting with a spelling correction to the name of Robin Duffy Wirth. Motion seconded, and carried unanimously.

VI. ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION

SOUTHWEST HORIZONS GRANT REQUEST PRESENTATION— 4CORE Project Manager, Laurie Dickson brought a return presentation of the SW Horizons Solar Barn Raising Project, first offered by former 4CORE Board Treasurer, Kurt Schneider at the April 2016 Board meeting, and a request for \$45,000 in Unclaimed Capital Credit funds for materials. Dickson took questions, and the Board will consider support for the project during the 4CORE report.

ANNUAL MEETING INDEPENDENT THIRD PARTY BALLOT SUPERVISOR—Due to lengthy Member Comment and QF Waiver presentation and discussion, La Plata County Clerk and Recorder Tiffany Parker will be rescheduled for July presentation.

DURANGO CHAMBER OF COMMERCE CAPITAL PROJECT CAMPAIGN--Due to lengthy Member Comment and QF Waiver presentation and discussion, Executive Director, Jack Llewellyn will be rescheduled for July presentation.

LEGAL TEAM TRANSITION UPDATE—Attorney Shay Denning reported that the firm is continuing the transition as set forth by Barry Spear at the May meeting. The transition will be

completed by September 1, 2016, when she will take the lead as general counsel, and Attorney Spear will provide support. The firm will present a survey to the Board in July to gauge anticipated needs and desired improvements to better serve LPEA.

IV. CEO AND STAFF REPORTS

Written reports by CEO Dreyspring and Staff were included in the May Board packet. Staff gave brief highlights and took all questions. Additional reports were given on CPUC Compliance and Company Benefits, and Staff took all questions. The Monthly Safety Report minutes were also available for review in the Board packet.

V. ITEMS REQUIRING BOARD ACTION

RESOLUTION 2016-09 CAPITAL CREDIT BANK ACCOUNT SIGNER

Motion: Director Formwalt moved to approve Resolution 2016-09 granting signatory authority on the Capital Patronage Account at FNB Durango, to Board President, Davin Montoya. Motion seconded and carried without dissent.

RESOLUTION 2016-10 CFC LINE OF CREDIT

Motion: Director Formwalt moved to adopt Resolution 2016-10 approving a discretionary line of credit with CFC. Motion seconded and carried without dissent.

RESOLUTION 2016-07 LPEA'S QF WAIVER TO TRI-STATE—The Board resumed discussion of the waiver and agreed that the June 28, Board retreat would provide ample opportunity for further exploration of issues and concerns.

Motion: Director Berman moved that LPEA not sign the QF Waiver to Tri-State. Motion seconded.

The question was raised about whether the motion by Director Berman was proper, given that the language of “not sign the waiver,” is not consistent with the resolution as presented. Attorney Denning referred to Roberts Rules of Order and opined that the motion, as stated, is different than the motion as written in the form of the resolution, which is “to sign” the waiver; and that voting on the motion as stated could create confusion about what action is actually being taken with the resolution.

Denning further opined on Robert's Rules of Order, offering that the motion as stated, “not sign the waiver,” takes up business that is not currently before the Board which is, “*whether or not*” to approve the resolution.

Discussion ensued about amending the motion. Director Berman restated the motion in a form consistent with Robert's Rules, though less favorable due to being stated negatively.

Motion Resumed: Director Berman moved to reject signing the waiver requested by Tri-State as discussed in Resolution 2016-07 LPEA’s Waiver to Tri-State. Motion seconded.

Motion to Amend: Director Barger moved to table the motion until July, pending the outcome of the FERC ruling. Motion carried 7 to 4, Resolution 2016-07 tabled.

Discussion ensued on waiving projects to Tri-State on a case-by-case basis with FERC, and the need to fully understand any potential legal exposure associated with doing so. The Board acknowledged the need to further explore this very complex issue during the June 28, 2016 strategic planning retreat and the July Board meeting prior to making a decision on the QF waiver.

CEO Dreyspring advised of the need to hold the discussion during a Committee of the Whole meeting for transparency and the benefit of concerned members. The Board addressed concerns about clarifying LPEA’s avoided cost; the cost recovery mechanism within Policy 101; and standby charges. Dreyspring noted that he has volunteered to sit on the Tri-State Rate Committee, which will address the standby charge issue.

RESOLUTION 2016-11 LINE EXTENSION POLICY REVISION— Ron Meier reviewed the Line Extension Policy revisions that were addressed during the May Board meeting.

Motion: Director Huntington moved to adopt Resolution 2016-11 Line Extension Policy Revision. Motion seconded. Motion carried 8 to 4.

POLICY 301 VEGETATION MANAGEMENT— Justin Talbot discussed minor revisions to the Vegetation Policy Management Policy draft that was presented to the Board in May.

Motion: Director Wheeling moved to approve Policy 301 Vegetation Management. Motion seconded and carried without dissent.

VI. ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION (RESUMED)

REVIEW POLICY 127 DIRECTOR ELECTION AND ANNUAL MEETING VOTING PROCEDURE—Dennis Svanes discussed changes to the policy recommended by legal counsel, and Tiffany Parker, 2016 Independent Third Party Ballot Supervisor. Staff was directed to revise language to the policy stating that they will make no content edits to candidate biographies, except to truncate at 250 words. The Board Candidate packet will also be revised to make it concise and more user friendly.

Motion: Director Wheeling moved to approve Policy 127 Director Election and Annual Meeting Voting Procedure, with approved changes. Motion seconded and carried without dissent.

INDEPENDENT THIRD PARTY BALLOT SUPERVISOR—The Board agreed to vote on whether or not to approve Tiffany Parker as the Independent Third Party Ballot Supervisor for the 2017 Annual Meeting at the July 20, 2016 Board meeting.

REVIEW OF TRI-STATE MIC SITE—CEO Dreyspring led the Board through a demonstration of the Tri-State Member Information Site. Charis will follow up with Directors to obtain usernames and passwords.

DIRECTOR REIMBURSEMENTS -- Treasurer Barger reported the Director expense items.

LPEA Mileage Reimbursements

Mike Alley	\$64.50	Bob Lynch	\$64.80
Karen Barger	\$14.04	Doug Lyon	\$00.00
Britt Bassett	\$00.00	Kohler McInnis	\$8.64
Jeff Berman	\$00.00	Davin Montoya	\$18.90
Robert Formwalt	\$64.80	Jack Turner	\$14.04
Dan Huntington	\$25.92	Joe Wheeling	\$14.04

LPEA Board Meetings

Mike Alley	\$1200.00	Bob Lynch	\$1200.00
Karen Barger	\$1200.00	Doug Lyon	\$1200.00
Britt Bassett	\$1200.00	Kohler McInnis	\$1200.00
Jeff Berman	\$1200.00	Davin Montoya	\$1200.00
Robert Formwalt	\$1200.00	Jack Turner	\$1200.00
Dan Huntington	\$1200.00	Joe Wheeling	\$1200.00

Other External Meetings

Mike Alley	\$00.00	Bob Lynch	\$00.00
Karen Barger	\$00.00	Doug Lyon	\$00.00
Britt Bassett	\$00.00	Kohler McInnis	\$775.00
Jeff Berman	\$00.00	Davin Montoya	\$00.00
Robert Formwalt	\$00.00	Jack Turner	\$00.00
Dan Huntington	\$00.00	Joe Wheeling	\$00.00

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

VII. ATTORNEY REPORT – Attorney Denning highlighted work done for LPEA and took questions on the written report included in the Board packet.

VIII. DIRECTOR REPORTS AND OTHER BOARD ACTIONS

ROUND-UP FOUNDATION REPORT—Director McInnis discussed changes in meeting schedules and efforts to increase donor participation, and recognized Director Lynch for a donation of approximately \$690.00. The Round Up Board is considering revising the current 12-month application cycle to a 24-month cycle for those seeking grants, and creating a policy

within the Round Up Foundation to provide guidance on grant applications. CEO Dreyspring advised that proposed changes to the bylaws will be submitted for Board approval at the July Board meeting.

FASTTRACK COMMUNICATIONS REPORT—Director Wheeling reported that FastTrack is in the throes of Strategic Planning, with projects moving forward.

TRI-STATE REPORT—Director Wheeling reported that the Strategic Planning meeting produced changes in the Regional Transmission Organization structure may be voted on in the coming months, and an upgrade to the Nucla-Cajon line is running behind schedule. The Contract Committee discussed Basin Electric’s desire to move to a 75-year contract, whether Tri-State should extend its contract length, and the return of Patronage Capital. Wheeling reported on a 30-year, \$250 million bond offering; noted that discussions on the Clean Power Plan will continue with CO and AZ; and discussed the possibility of Tri-State becoming FERC regulated. Wheeling took all questions.

At the request of President Montoya, CEO Dreyspring reported on the NRUCFC Conference he attended in Seattle. Dreyspring highlighted topics of interest such as pressure towards renewables, reverse engineering CO2 back into fuel, storage, the push for aerial fiber in rural areas, and demand rates at the residential level.

Dreyspring discussed changes to Tri-State Policy 115 which implements a provision for net metering, and a standby charge. The tables are reducing for several types of DG due to changes in market rates. There is a 90-day period for member comment. Attorney Denning will add the Policy 115 changes to the memo that compares changes with original policy, to ensure that the recommendations are not impacted.

CREA REPORT—Director McInnis attended a CREA conference and reported that data revealed an 83% open rate on the printed version of Colorado Country Life magazine, and 42% for the online version. McInnis reported that discussing Workman’s Compensation was not well received, and advised building a coalition of CREA Directors to move forward with pursuing the opportunity. Gunnison County Electric Association provides electric cars for members to test drive at no cost, which McInnis enjoyed.

WESTERN UNITED REPORT—Director Formwalt stated that there was nothing to report at this time.

4CORE REPORT—The Board and Staff resumed discussion of a \$45,000 funding request by 4CORE for the SW Horizons Solar Barn Raising project, and considered alternative funding sources to the Unclaimed Capital Credit fund that was initially sought. The decision was made to utilize the Green Power Fund, and came with a recommendation for \$25,000 for the purchase of materials, and \$10,000 in matching funds.

Motion: Director Wheeling moved to fund SW Horizons Solar Barn Raising project with up to \$25,000 in up front capital from the Green Power Fund, for the purchase of equipment and materials, with receipts provided; and up to \$10,000 in matching

funds. Motion seconded and carried 11 to 0 with one abstention by Director Bassett.

Robin Duffy Wirth presented the 4CORE report, noting that the Strategic Planning Retreat will take place next week. Duffy spoke about the 4CORE mission statement and top three projects; and shared that her personal goal to “assist low income families to offset energy bills and work closely with LPEA as a team,” aligns with the 4CORE mission.

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

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.

XII. EXECUTIVE SESSION

Motion: Director Lyon moved to go into executive session to discuss the Industrial Member Agreement. Motion seconded and carried without dissent.

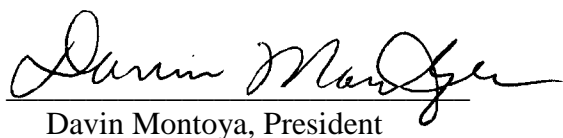
The Board moved into executive session from 3:52-4:20 PM. to discuss the Industrial Member Agreement. Director Berman excused himself at 4:00 PM.

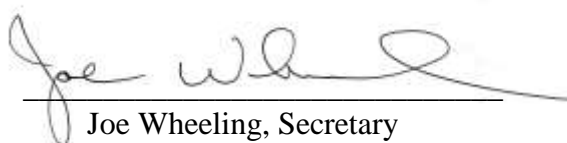
Motion: Director Lyon moved to adopt Resolution 2016-12 Industrial Member Agreement. Motion seconded and carried without dissent, with one abstention by Director Bassett.

There being no further business, the LPEA Board of Directors meeting adjourned at 4:22 PM.

Recorded by: Charis Charistopoulos

Approved by:


Davin Montoya, President


Joe Wheeling, Secretary