LA PLATA ELECTRIC ASSOCIATION, INC.
Committee of the Whole Meeting
July 18, 2016
Durango, Colorado

I. CALL TO ORDER

The Committee of the Whole of the regular monthly meeting of the Board of Directors of La Plata Electric Association, Inc. was held Monday, July 18, 2016, in Durango, Colorado. President Montoya called the meeting to order at 9:03 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	Doug Lyon	Joe Wheeling

EXCUSED ABSENCE:
Dennis Svanes, Chief Financial Officer

LPEA STAFF:
Mike Dreyspring, Chief Executive 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
Bill McEwan, Attorney

GUESTS (from sign in sheet). The following guests were present:
Betsy Romere, Lissa Ray, Harry Riegle. Also in attendance: Durango City Council members: Mayor Christina Rinderle, Mayor Pro Tem Dick White, Sweetie Marbury, Dean Brookie, Keith Brant, City Manager Ron Le Blanc, Executive Assistant Mary Beth Miles, City Attorney Dirk Nelson.

VIII. COMMITTEE OF THE WHOLE MEETING, JULY, 18, 2016

LPEA AVOIDED COST CALCULATION—Dan Harms discussed the theory that LPEA's avoided cost would equal the amount not paid to Tri-State due to a DG project on the system, which is roughly $. 07. Harms explained that a review of calculations supplied by DMEA stated an avoided cost of $.04. Staff is in the process of discovering how DMEA arrived at that figure, and learning more about FERC rules. CEO Dreyspring added that talks with DMEA provided information that local DG projects were included in the calculations.

BILL MCEWAN, DMEA-FERC LEGAL OPINTION—Attorney Denning reviewed the chain of events with the June 16th FERC order on Tri-State Policy 101, ruling that Tri-State may not recover avoided costs for qualified facilities under PURPA ("QFs"). Denning introduced Attorney Bill McEwan, a utility law specialist, who has assisted LPEA with previous matters involving Tri-State.
McEwan provided the following commentary on DMEA pleadings, FERC Orders I and II, Tri-State Policy. In June 2015, FERC Order I held that a member co-op had the obligation to negotiate with a QF under PURPA, notwithstanding any conflicting provisions in the Tri-State wholesale power contracts. Tri-State responded with revisions to Policy 101 to assign resulting unrecovered revenue directly back to the member who signs a QF contract.

DMEA filed a response with FERC arguing that the policy undermined FERC Order I and set forth a wholesale contract impediment to the negotiation process; furthermore, Tri-State is able to buy and sell power on the open market, and the threat of unrecovered revenue is not justified. FERC Order II ruled on June 16, 2016 in agreement with DMEA, rejecting Tri-State's effort to assign unrecovered revenue to the member who contracts with a QF. DMEA was informed that Tri-State intends to file a Petition for Reconsideration with FERC.

Attorney Denning addressed general LPEA questions about the Waiver to Tri-State. Should LPEA elect to sign the Waiver, it will do so independently if a second round of Waiver filing is not offered by Tri-State. The question of waiving projects on a case-by-case basis is not an option, as the FERC Waiver is all or nothing.

According to Tri-State General Counsel, Tri-State will file a Petition for Reconsideration with FERC to reconsider its decision regarding Tri-State Policy 101. In addition, Tri-State is implementing changes to Board Policy 115 with the understanding that further revisions may be in order following the outcome of the appeal to FERC. DMEA is utilizing Tri-State Policy 316 to lodge a complaint for the imposition of additional costs and connection requirements on a newly contracted QF project, which they believe is contrary to FERC Order II. McEwan stated the Policy 316 complaint addressed 3 new Tri-State policies: A Facility Use Charge, an increase in transmission costs, and a mandatory interconnection agreement. In the event of an unsatisfactory resolution, DMEA may file an action with FERC for a third ruling.

There are concerns that changes to Tri-State Policy 115 effectively replicate the cost recovery attempts contained in Policy 101, which was over-ruled in FERC Order II. The LPEA Board will continue to discuss FERC Order II in Executive Session.

WASTE GAS GENERATION—Dan Harms reported that Williford Resources is being required by COGCC to eliminate the venting of methane gas from 40 natural gas wells in the Kline, CO area. Williford would like to channel the methane into an around-the-clock, 130 kV waste gas DG project with LPEA. A rebuild of a single phase line into a three-phase line extension would make this possible. Giving consideration to the 5% distributive generation provision in the wholesale power contract between Tri-State and LPEA ("Tri-State Wholesale Contract"), the Board discussed various ways to process the project under FERC and with Tri-State. Harms will determine the best course of action and report back to the Board with recommendations.

DISCUSS RESOLUTION 2016-13 SUAE SOLAR APPLICATION, TS POLICY 115, AND PROPOSED CHANGES TO POLICY 115—Dan Harms began with an overview of Tri-State Policy 115 which governs LPEA's right to purchase 5% distributive generation outside of the Tri-State Wholesale Contract, and the pricing tables that govern what Tri-State will pay every month of every year, for a given generation technology, for a 20-year period. Solar receives an average of $.058 per kWh in 2016, wind and biomass are lower.

Under the new Policy 115 (effective September 7, 2016) there are two options: Tables priced a bit lower (e.g., $.045 kWh for solar), but offering forward-looking price certainty; or net-metering (less transmission charge, and includes ancillary and standby charges) which captures the table price plus half of the demand charge. This provides a higher price for wind and biomass, but is not the best option for solar because it is non-coincident.

The SUAE solar project would best be served by bringing the project into the 5% allowance, and processing under current Policy 115 tables which are priced higher than what would be given if processed outside the 5% allowance to a QF, per FERC Order II. Regardless of whether a project is signed as a 10 or 20-year Policy 115 project, pricing tables cap at the 10-year mark and LPEA will under-recover what is purchased under the new tables. There was general discussion regarding the legal analysis by Attorney Spear opining that Tri-State Board Policy 115 was in conflict with Tri-State's Wholesale Contract.

APPOINT COUNTY FAIR DELEGATES—There was consensus among the Board to appoint Bob Lynch and Kohler McInnis as the Archuleta and La Plata County Fair delegates, respectively. Both Directors have a $2,500 budget to bid in the FFA auctions.

IX. DIRECTOR REPORTS AND OTHER BOARD ACTIONS

ROUND-UP FOUNDATION REPORT--Director McInnis addressed the written report included in the Board packet and took all questions. A policy change effective July 1, 2016, states that applicants who receive funds may now reapply on a 24-month basis. Proposed bylaws changes were discussed prior to approval on Wednesday's Board meeting.

FASTTRACK COMMUNICATIONS REPORT – Director Wheeling stated he had nothing to report at this time.

TRI-STATE REPORT – Director Wheeling, Tri-State Board Vice President, addressed the report provided by Tri-State CEO, Mike McInnes which was included in the Board packet. Wheeling reported that the discussion of whether to join an Regional Transmission Organization continues, and may come to a vote this year. A significant mid-year rate increase by Basin Electric will have an impact on Tri-State's rates in 2017. Directors Lyon, Huntington, and Alley spoke about the Director Orientation they attended at Tri-State, Western United, and CREA, on July 12-13.

HOSTING DURANGO CITY COUNCIL FOR LUNCH—CEO Dreyspring reviewed the Franchise Agreement between the City of Durango and LPEA that governs alternative energy projects in the community; as well as, LPEA's prior discussion about whether to allow Tri-State to negotiate purchase power agreements with QFs in LPEA's service territory. In the FERC II Order discussed earlier, FERC denied Tri-State's request to recover avoided and other costs; therefore, LPEA is no longer in support of waiving its rights to negotiate with QFs, allowing Tri-State to engage in those negotiations.

Dreyspring address the question of how the waiver might potentially impact the City's rights under the Franchise Agreement, and advised that the waiver would not apply to projects such as the Community Solar gardens because they are not QF projects. Under PURPA regulations, a self-generation project under 1,000 Kw may self-designate as a QF and not be subject to the 5% cap on self-generation projects under the Tri-State Wholesale Contract. TS Policy 118 is an incentive that allows LPEA to participate in the support of DG projects that would be negotiated directly between Tri-State and the provider and not be subject to the 5% DG provision in the Tri-State Wholesale Contract.

Currently, as the 5% allowance is utilized and the demand for local renewables grows, LPEA could potentially do much more to support local renewables under Policy 118. If the FERC decision holds and Tri-State cannot recover avoided costs on community QF projects, the legal complexities of navigating the issues will necessitate a measured approach to protect the financial interests of the cooperative and its members.

City Manager, Ron Le Blanc discussed financial obstacles and inability of the existing facilities within the City to generate and transmit power. The Franchise Agreement is very beneficial and the City enjoys a great working relationship with LPEA. Sweetie Marbury invited Dreyspring to speak at City Council meetings and help the community understand the 5% allowance, what a Qualified Facility is, and the considerations of implementing solar on homes. The Board discussed the contract with Tri-State, why the DG allowance is 5%, changes in power supply and markets.

4 CORE REPORT – Robin Duffy Wirth reported that 4 CORE has received a $1,000 donation for the SW Horizons CSG project which is eligible for matching funds by LPEA up to $10,000. The National Energy Education Development Project is teaming up with 4CORE to bring education about energy consumption and use to elementary students in the area. The Solar Home Tour will take place October 8, 2016, more information coming.

XIII. EXECUTIVE SESSION

Motion Director McInnis motioned to move into executive session to discuss FERC Order II, Tri-State Waiver, DMEA 316 Complaints, SUAE Agreement. Motion seconded and carried without dissent. Director Wheeling was excused from Executive Session following the SUAE Agreement discussion. The Board went into executive session from 1:55- 2:15 PM.

There being no further business, the LPEA Committee of the Whole meeting adjourned at 2:16 PM. Recorded by Charis Charistopoulos.

Approved by:

Davin Montoya, President

Joe Wheeling, Secretary