

LA PLATA ELECTRIC ASSOCIATION, INC.  
Board of Directors Minutes of Meeting  
July 20, 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, July 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:**

Dennis Svanes, Chief Financial Officer

**LPEA STAFF:**

Mike Dreyspring, Chief Executive Officer  
Rachel Gilman, Controller  
Dan Harms, Manager of Rates, Technology, and Energy Policy  
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  
Jerry Wills, Pagosa Springs Line Superintendent  
Barry Spear, Attorney  
Shay Denning, Attorney

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

Betsy Romere, Michael Bell, Tom Compton, Peter Miesler, Lissa Ray, Harry Riegle.

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

**I. APPROVAL OF AGENDA**

President Montoya addressed the July 20, 2016 agenda. There was consensus among the Board that the agenda would stand as presented.

## **II. MEMBER COMMENTS AND CONCERNS**

Member Lissa Ray shared an ongoing concern that LPEA is not communicating effectively with members. Ray addressed “misinformation” that was prevalent among those who attended the June Board meeting which was clarified by a presentation from CEO Dreyspring. Ray expressed frustration about the lack of information available to members whether in the newspaper or on the LPEA website. She reiterated the need for audio-transcripts or a newsletter of some sort to bring information directly to members so they can understand the issues and participate in discussions. Ray further requested the Board to follow up on the Strategic Plan Gaps Analysis and discuss outcomes of the June 28, 2016 work session.

Dreyspring thanked Ray for her questions and affirmed concerns about the lack of effective communications with members. The audio recording is under consideration, but LPEA is not prepared to move on that until resources, logistics and feasibility come together. The management team is in the process of drafting outcomes and recommendations from the Strategic Plan Gaps Analysis work session for presentation in the coming months.

Member Peter Miesler addressed an email sent to Directors on July 13<sup>th</sup> asking why LPEA would consider a waiver to Tri-State. Montoya advised that the Board, Staff and Attorneys, have had ongoing discussions in the Board meetings, and stated that local facilities cannot sustain the system without outside generation at this time. The Board is not opposed to local energy options, there are many complexities that need to be worked through.

## **III. CONSENT BOARD ITEMS**

Director Montoya addressed the Consent Board Items.

**Motion:** Director McInnis moved to approve consent items: accepting new members, capital credit payments to estates, monthly write-offs, and minutes of the June 2016 Board meeting with the following corrections: change Basin Co-op to Basin Electric, correct *move to table discussion until to July* to read, *moved to table discussion*. Motion seconded, and carried without dissent.

## **IV. CEO AND STAFF REPORTS**

Written reports by CEO Dreyspring and Staff were included in the July Board packet. Staff gave brief highlights and took all questions. Additional reports were provided on the CEO Travel Report, and Quarterly reports on Capital Items, Safety and Outages, Consultants and Contractors, and Construction and Maintenance. Staff took all questions. The Monthly Safety Report minutes were also available for review in the Board packet.

Controller, Rachel Gilman advised that First Southwest Bank is finalizing details for the On-Bill Financing program which is anticipated to roll out sometime in the fall. Applications will be

available on the website and at both LPEA offices. Linda Looman stated that the employee picnic will take place July 30, in Pagosa Springs, and Directors are encouraged to come. Ron Meyer highlighted reportable items, and plans are underway for member appreciation lunches that will take place September 16<sup>th</sup> in Durango, and September 23<sup>rd</sup> in Pagosa Springs. Justin Talbot touched on outages, accidents, and introduced Pagosa Springs Line Superintendent, Jerry Wills. Dreyspring reported that Pagosa Springs employees experienced a member who pulled a gun on them while attempting to access the property to deal with an outage (2<sup>nd</sup> such incident in 12 months). A Durango employee experienced a bomb threat while speaking to a member by phone. In both cases law enforcement was contacted. Talbot advised of safety precautions and measures taken to reduce or eliminate such risks.

**FERC WAIVER UPDATE**--CEO Dreyspring reported that the recent FERC ruling has made the Tri-State waiver less favorable for LPEA, and LPEA is taking a *wait and see* position until more is known. Attorney Spear stated that Tri-State is appealing the decision, and the subsequent FERC ruling will hopefully provide some finality. DMEA is filing complaints with Tri-State under Policy 316 with regard to proposed changes to Policy 115-the outcome of which will further inform LPEA's choice on how to proceed.

**CITY OF DURANGO FRANCHISE REPORT**—CEO Dreyspring is preparing a presentation for the Durango City Council and members of the community that explains the 5% allowance, gives background on DG and the Tri-State waiver, and various other talking points which will be brought to the Board prior to presenting.

**QUARTERLY FINANCIAL REPORT**—Rachel Gilman reported on kW hours purchased, revenue from electric sales, net margins, and delinquent accounts receivable, and took all questions.

## **V. ITEMS REQUIRING BOARD ACTION**

### **RESOLUTION 2016-15 BOARD MEETING SCHEDULE**

**Motion:** Director Wheeling moved to approve Resolution 2016-15 Board Meeting Schedule. Motion seconded, and carried without dissent.

**ELECT NRECA VOTING DELEGATE AND ALTERNATE**— The NRECA regional meeting will take place October 7-9, in Reno, Nevada.

**Motion:** Director Wheeling moved to nominate Bob Lynch as the delegate, and Karen Barger as the alternate voting delegate to the NRECA regional meeting. Motion seconded and carried without dissent.

**RESOLUTION 2016-14 APPOINT 2017 INDEPENDENT THIRD PARTY BALLOT SUPERVISOR, LPC CLERK AND RECORDER, TIFFANY PARKER**

**Motion:** Director Lynch moved to approve Resolution 2016-14 Appoint 2017 Independent Third Party Supervisor LPC Clerk and Recorder, Tiffany Parker. Motion seconded and carried without dissent.

**VI. ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION**

**RATE TOPIC: ESTABLISH TARGET FINANCIAL RATIOS FOR 2017 RATES**— Dan Harms presented the monthly rate design education topic in accordance with the LPEA rate timeline for the year. Harms recapped the progression of rate topics throughout the year and how they relate to the current topic. Harms reviewed Policy 202, Equity Management, which establishes minimum ratios for TIER, OTIER, DSC, ODSC, and MDSC. These ratios set the stage for revenue requirements which form the basis for forecasting and budget and rate setting.

Harms demonstrated that when requirements are met in the Modified Debt Service Coverage (MDSC), which measures the level of cash required to cover debt, all other financial requirements fall into place, and recommends setting a target ratio of 1.8 for the MDSC.

**RATE TOPIC: ESTABLISH GUIDELINES FOR RECOVERY OF DEMAND, ENERGY AND FIXED EXPENSES**— Dan Harms used an expense mapping tool to demonstrate the effect of the MDSC ratio and revenue requirements on rate setting and the distribution of hypothetical expenses. Viewers were able to compare and contrast the Cost of Service revenue requirement, the 2016 rate design revenue target, and the 2017 rate design revenue target over 12 rate classes to see the class to class subsidies, and then spread the cost of service, demand, and energy components out to see the overall effect on customer charges. Discussion ensued around demand, incentivizing TOU for residential, and the effect of Tri-State’s rate reviews.

**DURANGO CHAMBER OF COMMERCE CAPITAL PROJECT CAMPAIGN**-- The Chamber is celebrating its 100<sup>th</sup> anniversary and preparing to remodel the Santa Rita Park building that has housed the Durango Chamber for 30 years. Executive Director, Jack Llewellyn gave an overview of the new building design by Brookie Architecture, which will co-house the Homebuilder’s Association and Region 9, with additional space available for BID and a 40-person capacity conference room. Various levels of financial commitment payable over 3 years will offset the remaining costs. Groundbreaking is anticipated for the Summer of 2017. The LPEA Board will consider options for assistance.

**START CEO EVALUATION SURVEY**—Director Montoya addressed the evaluation form and advised that Drew Timmerman will survey Directors, compile anonymous results, and present a summary in August for review with CEO Dreyspring.

**POLICY 129 CONFLICT OF INTEREST: REVIEW COMPLETED FORMS**--Completed forms will be reviewed and discussed at the August Board meeting.

**MONTHLY LPEA POLICY UPDATE APPROVAL**—CEO Dreyspring reviewed the 3-year policy review schedule and addressed recommended redline changes to the currently scheduled policies. Policies may be approved by the Board at the time of review, but are anticipated to be approved at the following month’s Board meeting, unless the will of the Board determines otherwise.

Dreyspring addressed redline changes to Policy 103 Delegation of Authority. Dreyspring, Attorneys Spear, and Denning took all questions. Dreyspring advised that Policy 118 Consultants, has been incorporated into Policy 103 and will be recommended to rescind upon approval of Policy 103.

Dreyspring addressed redline changes to Policy 104 CEO Relationships. Dreyspring, Attorneys Spear, and Denning took all questions.

**Motion:** Director Formwalt moved to approve Policy 103 Delegation of Authority with approved additional language to C.-I.-b, stating that the CEO shall *notify the staff and Board of Directors either at the next regularly scheduled Board meeting or through special notice if necessary of any NDA’s executed on behalf of the cooperative and provide a copy of the executed copy of the document upon request.* Motion seconded and carried without dissent.

**Motion:** Director Alley moved to rescind Policy 118 Consultants. Motion seconded and carried without dissent.

**Motion:** Director McInnis moved to approve Policy 104 CEO Relationships. Motion seconded and carried without dissent.

Dreyspring addressed redline changes to Policy 109 Compensation. Dreyspring, Attorneys Spear, and Denning took all questions. Dreyspring advised that Policy 108 Insurance, has been incorporated into Policy 109 and will be recommended to rescind upon approval of Policy 108.

**Motion:** Director Wheeling moved to approve Policy 109 Compensation as amended. Motion seconded.

Discussion ensued regarding travel compensation considerations, stranding, out-of-state travel, and agreement to review section II.-B.-1 of Policy 109, and the rescission of Policy 108 Insurance, at the August Board meeting. There was consensus among the Board to include language to Policy 109 for out of state travel such as, *mileage reimbursement or the cost of airfare for in-state air travel, whichever is cheaper.* Attorney Denning will revise the policy for review at the August Board meeting.

Dreyspring addressed redline changes to Policy 117 Request For Information. Dreyspring, Attorneys Spear, and Denning took all questions. Discussion ensued around the four levels of information requested, Statement of Purpose, Non-disclosure form, and Affidavit for members requesting a membership list. Attorney Denning will revise the policy for review at the August Board meeting.

**REVIEW SALE OF LPEA 115 KV ASSETS UNDER TRISTATE POLICY 109**—CEO Dreyspring reviewed the history and facts around the consideration of whether or not to sell LPEA’s 115 kV transmission line assets (on SUIT reservation) to Tri-State, in order to avoid substantial NERC oversight fees. In March 2015 Dreyspring suspended the 2014 sales agreement which expires December 31, 2016 until more was known about how pole attachments, wheeling, and under build would be impacted. After the sales agreement was in place, Tri-State stated they would not purchase LPEA assets that are on SUIT property because of the permitting and trespass fees, resulting in a substantial financial impact to LPEA.

Discussion ensued regarding depreciation, NERC and FERC requirements, and deregulation. A NERC consultant has been retained to assist staff with navigating risk. Operationally and strategically there is no justification to sell; and from a renewables standpoint, retaining the 115kV assets may also provide LPEA more interconnect options for DG in the future. The Board was in agreement with Dreyspring’s recommendation not to sell the assets to Tri-State, and directed him to contact Tri-State CEO, Mike McInnis to discuss reimbursement issues.

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

LPEA Mileage Reimbursements

Mike Alley	\$194.40	Bob Lynch	\$194.40
Karen Barger	\$42.12	Doug Lyon	\$5.40
Britt Bassett	\$00.00	Kohler McInnis	\$25.92
Jeff Berman	\$00.00	Davin Montoya	\$56.70
Robert Formwalt	\$194.40	Jack Turner	\$42.12
Dan Huntington	\$77.76	Joe Wheeling	\$42.12

LPEA Board Meetings

Mike Alley	\$1600.00	Bob Lynch	\$1600.00
Karen Barger	\$1600.00	Doug Lyon	\$1400.00
Britt Bassett	\$1400.00	Kohler McInnis	\$1600.00
Jeff Berman	\$1600.00	Davin Montoya	\$1600.00
Robert Formwalt	\$1600.00	Jack Turner	\$1600.00
Dan Huntington	\$1600.00	Joe Wheeling	\$1600.00

Other External Meetings

Mike Alley	\$568.20	Bob Lynch	\$00.00
Karen Barger	\$00.00	Doug Lyon	\$2389.76
Britt Bassett	\$00.00	Kohler McInnis	\$125.00
Jeff Berman	\$00.00	Davin Montoya	\$00.00
Robert Formwalt	\$200.00	Jack Turner	\$00.00
Dan Huntington	\$451.80	Joe Wheeling	\$00.00

**Motion:** Director Turner motioned to approve Director expenses as presented. Motion was seconded and carried without dissent.

**VI. ATTORNEY REPORT** – Attorney Spear highlighted work done for LPEA and took questions on the written report included in the Board packet. Attorney Denning will take lead counsel on September 1st, following the August 31st, 2016 Attorney contract expiration.

**X. UPCOMING EXTERNAL MEETINGS** –The CREA Fall Conference and Energy Innovations Summit will take place September 10-13 in Denver, CO. Directors McInnis, Bassett, Barger, Turner, Lynch Lyon, Berman and Formwalt will register to attend; Directors Alley, Montoya, and Wheeling are tentative.

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

### **ROUND-UP BYLAWS REVIEW**

**Motion:** Director Wheeling moved to approve changes to the Round-Up bylaws. Motion seconded and carried without dissent.

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

**WESTERN UNITED REPORT**—Director Formwalt addressed the June summary report contained in the Board packet. Director Formwalt was elected President of the Western United Board of Directors in June. Western United now has solar kits for co-ops to offer members.

### **XII. EXECUTIVE SESSION**

**Motion:** Director Barger moved to go into executive session to discuss DMEA 316 Complaints, and S UAE Agreement. Motion seconded and carried without dissent.

The Board moved into executive session from 3:47-4:53 PM. Director Wheeling was excused.

### **RESOLUTION 2016-13 S UAE SOLAR APPLICATION UNDER TRI-STATE POLICY 115**

**Motion:** Director Huntington moved to adopt Resolution 2016-13 S UAE Solar Application under Tri-State Policy 115. Motion seconded.

**Motion to Amend:** Director Berman moved to amend the motion to include: instruct CEO Dreyspring to notify Tri-State in writing of LPEA concerns with the existing and proposed revisions to Tri-State Policy 115, after legal review. Motion seconded.

Discussion ensued regarding legal and financial impairments to projects above the 5%, and the question of whether LPEA would be injured, through control or financially, by the changes to Policy 115, if the SUAE Solar project is processed under the policy. Contradictions exist between the Policy 115 and the terms in the LPEA-Tri-State Wholesale Contract according to legal counsel.

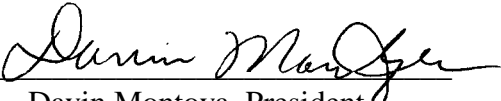
**Motion to Amend Resumed:** Motion to amend carried without dissent.

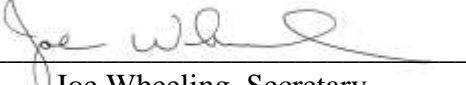
**Motion to Adopt Resumed:** Directors Turner and Lynch opposed. Motion carried 9/2.

There being no further business, the LPEA Board of Directors meeting adjourned at 5:26 PM.

Recorded by: Charis Charistopoulos

Approved by:

  
Davin Montoya, President

  
Joe Wheeling, Secretary