LA PLATA ELECTRIC ASSOCIATION, INC.
Committee of the Whole Meeting
August 15, 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, August 15, 2016, in Durango, Colorado. President Montoya called the meeting to order at 9:02 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
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

GUESTS (from sign in sheet): The following guests were present: Betsy Romere and Lori Schell.

VIII. COMMITTEE OF THE WHOLE MEETING, AUGUST 15, 2016

Director McInnis objected to agenda item VIII. E., Amendment 69, *Colorado Cares*, and requested that it be moved to take place under item VI., Items For Board Review and Possible Action. There was consensus among the Board to address it as a formal objection during the Approval of Agenda at the upcoming Board meeting, Wednesday August 17, 2016.

RATE TOPIC: STREET LIGHTING – Dan Harms presented the monthly rate design education topic in accordance with the LPEA rate timeline for the year. Harms presented an update on the LED street light efforts and how it may affect future rates. He reviewed the rate tariff for LPEA owned lights which are charged on a fixed monthly rate. The cost to replace 700 security lights and 1,500 streetlights is approximately $600,000 - $750,000. LEDs require half the power of traditional lights, and retrofits would save approximately $100,000 in purchase power annually. Tri-State rebates and reduced maintenance would allow a 4-year buyback. The rate class could achieve a 25% expense reduction with LED, and a complete change out is targeted for 2017. The Key Ratio Trend Analysis by CFO Svanes will provide more information for decision-making.

RATE TOPIC: BUY BACK RATES –The current net metering tariff for excess household generation is $0.072 kWh, reconciled annually on April 1st. Member, Lori Schell, recommended a May 1st reconciliation to account for the one-month lag in reporting that occurs in March. CEO Dreyspring stated that an analysis of net metering by month would be useful in decision-making. Harms proposed setting an excess net metering buyback rate equal to LPEA's actual avoided cost, (a standardized tariff equal to QFs, e.g., $0.055 for solar), rather than a blended, average wholesale rate.

Discussion ensued around the discriminatory nature of grandfathering customers who installed solar systems based on prior rate incentives and Tri-State subsidies. Director Berman recommended Time Of Use (TOU) for all solar net metered accounts on the basis that the right pricing signal is sent for solar (as it relates to the demand component and wholesale power cost) and better aligns with the cost of service. There was consensus to leave the rate as is for 2017, allow technology to bear out the value of on and off peak pricing, and communicate the outlook for future changes to LPEA customers.

RATE TOPIC: 120% EXCESS GENERATION LIMIT – Harms proposed placing a limit of 120% on payments for excess household generation (net metered) based on a 12-month history, 4-month minimum, or standardized calculation for new system applicants. Currently, only community solar gardens (CSG) have a 120% cap. Many net metered services are overproducing which prevents neighboring customers from adding renewable generation.

Discussion ensued about the 5% distributed generation (DG) limit placed on LPEA within its contract with Tri-State and the strategic impact of a rate tariff that limits DG. As long as customers are not going over 120% excess generation, LPEA is not subject to the Tri-State 5% cap; however, any oversizing of systems does cut in to the 5% cap. There was consensus among the Board to disallow members from upsizing existing net-metered projects beyond 120%.

WILLIFORD METHANE WASTE GAS RECOVERY PROJECT – Dan Harms gave an update on the project. Harms discussed processing the project as a qualified facility (QF) with Tri-State in light of FERC Order II (stating that Tri-State cannot collect avoided costs).

Bringing projects in as QFs and exceeding the 5% DG limit during this period where Tri-State is litigating FERC II, presents a risk if the order is overturned in the future. If that happens, QFs will get processed under Tri-State Policy 101 and LPEA will have to reimburse avoided costs to Tri-State.

Attorney Spear opined that because the order is being appealed, FERC II is not currently established, and processing projects as QFs at this time does present uncertainty. The option of writing a contract that is contingent on the outcome of Tri-State's appeal was not appealing to

Williford. The option of processing the project under Policy 115 and including Williford in the 5% DG allowance eliminates the risk. Williford is still calculating the overall project feasibility and more will be known in the future.

KRTAs (KEY RATIO TREND ANALYSIS) – CFO Svanes discussed the KRTA report which shows data using medians to highlight areas of strength and weakness, indicate future performance, provide positive and negative trending, and assist in analyzing systems operations. It measures co-op peer groups across the Nation and State, of a similar size, within the same G&T, and with similar growth; and analyzes 145 ratios under 10 categories: base group, financial, revenue and margins, sales, controllable expense, fixed expense, total expense, employee, growth, and plant. The KRTA addresses profitability, sustainability, productivity, operational efficiency, liquidity, and leverage--which is a crucial factor in covenant and compliance requirements and the budgeting process.

2016 YEAR-END FORECASTED NET MARGINS – CFO Svanes discussed the forecast budget and revisions, capital credit retirement options, bill credits, and cash. 2016 Operating margins came in at $2.6 million above forecast, due to an increase in volumetric sales. Placing LED light fixtures on poles is forecast to cost $652,000, and the depreciation can be written off in 2016 to provide a reduction in the current operating margins above budget. Svanes discussed options to allocate the remaining $1.9 million to members by retiring capital credits or issuing bill credits, and the possibility of utilizing revenue deferral. The information will continue to be monitored as LPEA moves toward the 2017 financial forecast.

ON-BILL FINANCING METRICS – CFO Svanes gave an update on the program which will go live September 1, 2016 with First Southwest Bank. The bank is expecting 3 loans to establish program success. LPEA Energy Advisors suggest there is pent up demand among members for the program, and anticipate a healthy number of small commercial loan applications to come through, followed by residential.

IX. DIRECTOR REPORTS AND OTHER BOARD ACTIONS

ROUND-UP FOUNDATION REPORT-- Director McInnis addressed the written report that was included in the Board packet and took all questions.   McInnis also reported on bidding at the La Plata County Fair livestock auction. Director Lynch reported on bidding at the Archuletta County Fair livestock auction.

IV. CEO AND STAFF REPORTS – Written reports by CEO Dreyspring and Staff were included in the August Board packet. Staff gave highlights and took all questions. Of note, Dan Harms reported on the efforts to get TOU meters with new technology ready for January 1, 2017. The Member Opportunity Report and Monthly Safety Report minutes were also available for review.

VIII. COMMITTEE OF THE WHOLE MEETING, AUGUST 15, 2016 (CONT'D)

ALTERNATIVE FUEL FLEET PLAN – Director Jack Turner and 4CORE Program Manager, Laurie Dickson proposed incorporating electric and compressed natural gas (CNG) fueling alternatives into the LPEA vehicle fleet. Brennan Oil is expected to build a CNG fleet fueling station and Turner suggested outfitting one LPEA vehicle for testing.

ENERGY EFFICIENCY INCENTIVES FOR EMPLOYEE VEHICLES – Turner and Dickson discussed grant and rebate incentives for the purchase of electric vehicles, and the development of infrastructure to support alternative fuels and fleet vehicles. The mileage limitation for electric vehicles, combined with alternative fuel economics and vehicle adaptation for CNG, present issues of practicality for fleet vehicles. Dickson will continue meeting with key partners to explore opportunities for development.

IX. DIRECTOR REPORTS AND OTHER BOARD ACTIONS

FASTTRACK COMMUNICATIONS – Director Wheeling reported that business is going well with no long term debt, and FastTrack is staffing up for a new project.

TRI-STATE – Director Wheeling reported that Basin Electric's rate increase of 15% is due to the decline of load in the Bakken Field, the Dakota Gasification Project, and that the Basin Electric board has been reluctant to increase rates in the past. The Basin rate increase had an impact on Tri-State's decision to raise 2017 budgeted rates by 6.78%. The Contract Committee is not favorable toward Basin's proposed contract extension, and the Contract Committee is almost split in their discussions about whether to raise the 5% DG limit in Policy 115. CEO Dreyspring is a member of the Rate Committee and will attend the September 14th meeting.

WESTERN UNITED – Director Formwalt addressed the report included in the Board packet.

There being no further business, the LPEA Committee of the Whole meeting adjourned at 1:57 PM.

Recorded by: C.E. Charistopoulos

Approved by:

Davin Montoya, President

Joe Wheeling, Secretary