

LA PLATA ELECTRIC ASSOCIATION, INC.  
Committee of the Whole Meeting  
October 17, 2016  
Pagosa Springs, 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, October 17, 2016 at First Southwest Bank in Pagosa Springs, Colorado. President Montoya called the meeting to order at 9:06 A.M., and yielded chairmanship of the meeting to Vice President, Kohler McInnis. The following Directors were 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:**

Ron Meier, Manager of Engineering, Member Relations and Marketing  
Linda Looman, Manager of HR and Customer Service  
Justin Talbot, Manager of Operations

**LPEA STAFF:**

Mike Dreyspring, Chief Executive Officer  
Dennis Svanes, Chief Financial Officer  
Dan Harms, Manager of Rates, Technology, and Energy Policy  
Indiana Reed, Marketing & Communications Consultant  
C. E. Charistopoulos, Executive Assistant  
Jake Wills, Systems Engineer  
Ryne Wagoner, Staff Engineer  
Tracy Graybeal, Network Administrator  
Shay Denning, Attorney

**GUESTS** (from sign in sheet): Two guests were present, none signed in.

**VIII. COMMITTEE OF THE WHOLE MEETING**

**ELECTRIC PLANT CAPITAL PROJECTS BUDGET**—Jake Wills presented an overview of the \$15.5 million 2017 Capital Projects Budget. Wills addressed transmission, distribution, system improvements, new services, and service improvements, which includes an LED street light conversion project that is forecast to realize a 50% reduction in maintenance, and 66% reduction in purchased power expense with an estimated 7-year payback.

**REVIEW FINANCIAL FORECAST and ESTABLISH REVENUE REQUIREMENTS**—CFO Svanes presented the preliminary 2017 Financial Forecast and discussed assumption

changes in Revenue, Transmission, Operations-Maintenance, Customer Service and Information, General and Administrative, and Depreciation. Svanes demonstrated the integration of Strategic Plan objectives and initiatives in Succession Planning, Employee and Board Development, Communication, DG technologies, Energy Efficiency Programs, Power Supply Price, Reliability, and Resource Mix, Risk Management, Technology Development and Deployment, and Safety in the 2017 Financial Forecast.

Strategically, the rate design recommendations enhance and promote the Time of Use Rates (TOU), minimize subsidies between rate classes, and generate margins that are adequate to meet lender requirements and long-term financial objectives. The resulting preliminary budget consists of the following requirements: \$109 million in Revenue, \$73 million Cost of Purchased Power, \$106 million total cost of Electric Service, \$2.6 million Operating Margins, and \$7.9 million Patronage Capital. Svanes took all questions.

Svanes and Dan Harms are recommending a rate increase for Transmission accounts (large industrial); a TOU base rate decrease, an increase in Off Peak hours, and an increase in the On Peak rate; a revenue neutral adjustment to the Irrigation rate; and a 120% design limitation on Net Metered accounts. The preliminary forecast was met with favor by the Board, and a Resolution to adopt the Financial Forecast and Capital Expenditure Budgets will be presented on November 16, 2016.

**RATE TOPIC: REVIEW DRAFT RATES, OBTAIN FEEDBACK**—Dan Harms presented the 2017 Draft Rate recommendations, and explained that all but 2 rate class changes remain revenue neutral. A few large industrial members will see a rate increase in the form of a pass-through of the 4.33% Tri-State wholesale power cost increase, and Irrigation will see a .2% decrease.

The TOU rate remains revenue neutral with new on-peak hours from 6:00 a.m.- 9:00 a.m., and 5:00 p.m. - 10:00 p.m. Monday through Saturday. All day Sunday, Thanksgiving, and Christmas Day will remain off-peak, and ETS customers will be programmed for staggered timing. Targeting the lowest possible load profile creates room for the base rate to decrease and move closer to a cost-based rate. Commercial TOU class remains revenue neutral with an On-Peak window from 2:00-8:00 p.m. to incentivize solar with 50% more On-Peak generation time, and Irrigation will see a .2% decrease.

The recommendations were met favorably by the Board, and Harms will bring a Resolution to adopt the recommended 2017 Rates at the November 16, 2016 Board meeting.

**PRELIMINARY REVIEW OF STRATEGIC PLAN O&I's**—CEO Dreyspring addressed areas of focus in the Strategic Plan Objectives and Initiatives (Distributed Generation, Technology, Energy Efficiency Programs, Power Quality and Reliability, and Price, Technology, Safety, Succession Planning, and Communication) and discussed changes in the industry. Discussion ensued around ideas to strengthen O&Is in the future and keep them aligned with the Vision Statement. CEO Dreyspring will work with the Staff and Attorney to make changes to the O&Is as directed and present the updated draft for Board review in March of 2017.

## **DIRECTOR REPORTS AND OTHER BOARD ACTIONS**

**ROUND-UP FOUNDATION REPORT**—Director McInnis reported that the 2-year application cycle began in July 2016. The Round Up Foundation gave September grants to Friends of the San Juans (\$1500), and Gold Star Parents (\$2200). September Education grants were awarded to Be Frank (\$2000), Pine Tree Youth Circle (\$1000), Silver Spruce Academy (\$3000) Durango Nature Studies (\$1000), and Ignacio Elementary School (\$1000).

**FASTTRACK COMMUNICATIONS**—Director Wheeling advised that the October Board meeting will take place on the 27<sup>th</sup>, and consultant, Randy Trost will present the Strategic Business Plan. Financials are steady, and Timothy Maurer has been accepted onto the Board to replace retired Director, Bobby Lieb.

**TRI-STATE**—Director Wheeling reported on Tri-State discussions about the risks and benefits of forming a Regional Transmission Organization (RTO) to manage the grid and efficiently move power, and the impact this could have on QFs, market rates, and the role of the Federal Energy Regulatory Commission. A Fitch analyst noted that under an RTO, Tri-State would benefit from FERC regulation from a ratings standpoint, and member relations are an important factor in rating as well.

**CREA**—Director McInnis addressed the written report included in the Board packet and took questions. McInnis included takeaways from the NRECA Clean Power Plan webinar.

**WESTERN UNITED**—Director Formwalt advised that residential solar kits are available for demo.

**NRECA REGIONAL MEETING, OCTOBER 3 – 5, RENO, NV**—Directors Lynch, Turner and Barger highlighted results of proposed and new resolutions which will be up for formal vote at the national meeting in February, and shared takeaways from speakers and a Director course.

## **ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION**

### **LPEA POLICY REVIEW AND POSSIBLE APPROVAL: POLICY 109**

**COMPENSATION OF DIRECTORS**—The Board discussed language in the final draft policy which was adopted at the September Board meeting, and directed additional clarifying language. Attorney Denning will present the revised final draft for Board approval at the Wednesday, October 19 Board meeting.

**LPEA POLICY REVIEW AND POSSIBLE APPROVAL: POLICY 106 POLITICAL ACTIVITY OF DIRECTORS AND EMPLOYEES OF THE COOPERATIVE**-- The Board discussed language in the final draft policy which was adopted at the September Board meeting and had no further changes.

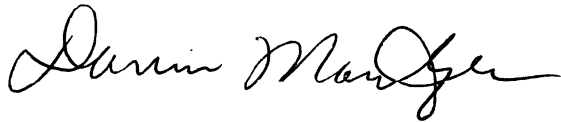
**LPEA POLICY REVIEW AND POSSIBLE APPROVAL: POLICY 119 STATEMENT OF FUNCTIONS FOR COOPERATIVE ATTORNEY--** CFO Svanes addressed redline changes to Policy 119 Statement of Functions for Cooperative Attorney and took all questions. The Board will vote on whether to adopt the policy during the Wednesday, October 19 Board meeting.

**LPEA POLICY REVIEW AND POSSIBLE APPROVAL: POLICY 122 DIRECTOR ATTENDANCE OF OUTSIDE MEETINGS--** CFO Svanes and Attorney Denning addressed redline changes to Policy 122 Director Attendance of Outside Meetings and took all questions. The Board will vote on whether to adopt the policy during the Wednesday, October 19 Board meeting.

There being no further business, the LPEA Committee of the Whole meeting adjourned at 1:59 p.m.

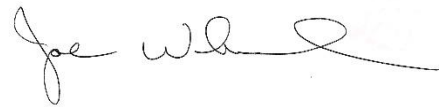
Recorded by: C.E. Charistopoulos

Approved by:



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Davin Montoya, President



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Joe Wheeling, Secretary