

LA PLATA ELECTRIC ASSOCIATION, INC.
Board of Directors' Minutes of Meeting
Wednesday, September 20, 2017
Ross Aragon Community Center
Pagosa Springs, Colorado

I. CALL TO ORDER

The regular monthly meeting of the Board of Directors of La Plata Electric Association, Inc. was held Wednesday, September 20, 2017 at the Ross Aragon Community Center in Pagosa Springs, Colorado. President Montoya called the meeting to order at 9:00 a.m., with the following Directors present:

Mike Alley	Dan Huntington	Kohler McInnis
Karen Barger, Secretary	Rachel Landis	Davin Montoya, President
Bob Formwalt	Jack Turner	Guinn Unger

LPEA STAFF:

Mike Dreyspring, Chief Executive Officer
Dennis Svanes, Chief Financial Officer
Dan Harms, Manager of Rates, Technology and Energy Policy
Ron Meier, Manager of Engineering, Member Relations and Marketing
Linda Looman, Manager of HR and Customer Service
C. E. Charistopoulos, Executive Assistant
Shay Denning, LPEA General Counsel
Curt Marlatt, Line Superintendent

EXCUSED ABSENCE Doug Lyon, Treasurer, Bob Lynch, Vice President, Britt Bassett, Justin Talbot, Manager of Operations. It was noted that Director Turner was in attendance when the Board meeting was called to order at 9:00 a.m. and departed at 1:00 p.m.

GUESTS (from sign in sheet): The following guests were present: Karen Goodwin, Michael Bell, Holly Metzler, Margaret Pickett, Dave Peters, Sarah Ferrell, Emily Bowie, Pam MacGiven.

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

I. APPROVAL OF AGENDA

President Montoya addressed the September 20, 2017 Board meeting agenda.

Motion: Director McInnis moved to approve the agenda as presented. Motion seconded and carried without dissent.

II. MEMBER COMMENTS AND CONCERNS

Member, Holly Metzler expressed appreciation for the cooperative, shared concerns about the change in national leadership, and urged the Board to develop a coal phase-out program and implement actions to mitigate the effects of greenhouse gasses and the health consequences associated with the use of fossil fuels. Member, Margaret Pickett spoke to encourage the Board to move on from coal for economic reasons which are more than enough to justify the transition to renewable energy sources, and the economic drivers of installing solar is a benefit to the entire community.

Member, Karen Goodwin thanked Dan Harms for the recent workshop on the Economics of Renewable Energy. Goodwin discussed an International Monetary Fund study that government subsidies promote fossil fuels and have a negative impact on health, environment, and the low-income population. Ms. Goodwin stated that Tri-State's reliance on coal, and LPEA's reliance on Tri-State does not make sense, and it is fiscally irresponsible and morally questionable to think that LPEA cannot divest from Tri-State. Goodwin expressed gratitude to Dan Harms for assuring her that LPEA is investigating options.

Member, David Peters spoke to "half-truths regarding renewable energy." Citing the International Energy Agency, Peters stated that the cost of electricity is far less for combined cycle gas-fired turbine than for solar, even with subsidies. Individual choice to utilize 100% Green Energy is different than forcing utility scale renewables on those who can't afford the huge increase in rates. Resident, Pam MacGiven expressed appreciation for Dan Harms' workshop on the Economics of Renewable Energy, and the effort of the Board to investigate options for the future. MacGiven voiced agreement that renewable energy should only be an option for those who can afford it.

III. CONSENT BOARD ITEMS.

President Montoya addressed the Consent Board Items.

Motion: Director Huntington moved to approve the Consent Board Items: accepting new members, capital credit payments to estates, monthly write-offs, and minutes for the August 2017 Board meeting. Motion seconded, and carried without dissent.

IV. CEO AND STAFF REPORTS

CEO Dreyspring reviewed meetings attended and highlighted takeaways from the NRECA Gettysburg Leadership Conference he recently attended. CFO Svanes addressed the Financial Report, noting that Revenue is in line with forecast, and the Cost of Power is slightly below normal, with no big changes in the overall picture, and took questions. Manager of HR and Customer Service, Linda Looman reported on three open positions, retirements and succession planning, and wellness activities. The insurance committee is looking at 2018 premiums, and the "mobile workforce" is helping to gain efficiency through the use of technology.

Manager of Engineering, Member Relations, and Marketing, Ron Meier advised of adjustments to the Engineering Department Capital Items Expenditure Budget, discussed highlights from the 2018 Annual

Meeting planning session, and reported that he is working with Energy Outreach Colorado to update the October bill insert to include information about resources available to help members pay their energy bills.

Manager of Rates, Technology, and Energy Policy, Dan Harms addressed the huge fluctuation in residential energy costs that occur as a result of circulation pumps, gave an update on AMI system upgrades, and shared that LPEA sent two pallets of unused AMI networking equipment to the Virgin Islands Water and Power Authority who was hit heavily by hurricane Irma.

CEO Dreyspring addressed the Operations Report by Justin Talbot, who was not in attendance. Dreyspring touched on sustained injuries, safety processes, training and reporting, and the commendable safety performance of the linemen in this very dangerous job. Dan Harms and Ron Meier took questions on AMI meter overload attributed to grow house operations and steps taken to meet those load requirements.

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. Overall LPEA measured up well against its co-op peer groups.

V. ITEMS REQUIRING BOARD ACTION

LPEA POLICY REVIEW AND POSSIBLE APPROVAL: POLICY 106 POLITICAL ACTIVITY OF DIRECTORS AND EMPLOYEES OF THE COOPERATIVE – CFO Svanes addressed recommended revisions to Policy 106 Political Activity of Directors and Employees of the Cooperative, and took all questions.

LPEA POLICY REVIEW AND POSSIBLE RESCISSION: POLICY 341 COMMUNITY SPONSORSHIP – CFO Svanes addressed the recommended rescission of Policy 341 Community Sponsorship, on the basis that it be incorporated into Policy 106 Political Activity of Directors and Employees of the Cooperative, and took all questions.

Motion: Director Huntington moved to adopt revised Policy 106 Political Activity of Directors and Employees of the Cooperative with approved changes. Motion seconded.

Motion

To Amend: Director Turner moved to further amend language to revised Policy 106 Political Activity of Directors and Employees of the Cooperative. Motion seconded.

Motion to

Withdraw: Director Huntington withdrew the motion to adopt revised Policy 106 Political Activity of Directors and Employees of the Cooperative with approved changes.

Motion: Director Turner moved to adopt Policy 106 Political Activity of Directors and Employees of the Cooperative as presented with approved language revisions; and to rescind Policy 341 Community Sponsorship. Motion seconded and carried without dissent.

LPEA POLICY REVIEW AND POSSIBLE APPROVAL: POLICY 103 DELEGATIONS OF AUTHORITY FROM BOARD OF DIRECTORS TO CHIEF EXECUTIVE OFFICER – CFO Svanes addressed recommended revisions to Policy 103 Delegations of Authority from Board of Directors to Chief Executive Officer, and took all questions.

LPEA POLICY REVIEW AND POSSIBLE RESCISSION – CFO Svanes addressed the recommended rescission of Policy 402 Management Salary and Benefits, Policy 404 Construction Procurement, Policy 417 Communication Policy, and Policy 351 Purchase of Materials, Supplies, and Equipment for use by the Cooperative, on the basis that they can be incorporated into Policy 103 Delegations of Authority from Board of Directors to Chief Executive Officer.

Motion: Director Turner moved to adopt revised Policy 103 Delegations of Authority from Board of Directors to Chief Executive Officer; and to rescind Policy 402 Management Salary and Benefits, Policy 404 Construction Procurement, Policy 417 Communication Policy, and Policy 351 Purchase of Materials, Supplies, and Equipment for use by the Cooperative. Motion seconded and carried without dissent.

NRECA REGIONAL MEETING DELEGATE – CEO Dreyspring requested Board approval to appoint Executive Assistant, Charis Charistopoulos as the LPEA voting delegate to the NRECA Regional Meeting, October 17-18, 2017 in Denver, Colorado on the basis of a conflict with the October 18 LPEA Board meeting which prevents Directors from attending.

Motion: Director McInnis moved to appoint Charis Charistopoulos as the LPEA voting delegate to the NRECA Regional Meeting, October 17-18, 2017 in Denver, Colorado. Motion seconded and carried without dissent.

Motion: Director Formwalt moved to appoint Director Huntington as the LPEA voting delegate, and Director McInnis as the voting alternate to the NRECA Colorado meeting at the CREA Fall Conference, October 31, 2017 in Denver, Colorado. Motion seconded and carried without dissent.

DIRECTOR EXPENSE APPROVAL – Director Barger reported the Director expense items to be reimbursed.

LPEA Mileage Reimbursements

Mike Alley	\$74.90	Bob Lynch	\$64.20
Karen Barger	\$27.82	Doug Lyon	\$0.00
Britt Bassett	\$00.00	Kohler McInnis	\$17.12
Robert Formwalt	\$64.20	Davin Montoya	\$18.73
Dan Huntington	\$112.35	Jack Turner	\$93.09
Rachel Landis	\$37.45	Guinn Unger	\$82.39

LPEA Board Meetings

Mike Alley	\$1200.00	Bob Lynch	\$1125.00
Karen Barger	\$1125.00	Doug Lyon	\$00.00
Britt Bassett	\$1125.00	Kohler McInnis	\$1125.00
Robert Formwalt	\$1125.00	Davin Montoya	\$1125.00
Dan Huntington	\$1125.00	Jack Turner	\$1125.00
Rachel Landis	\$1125.00	Guinn Unger	\$1200.00

Other External Meetings

Mike Alley	\$00.00	Bob Lynch	\$00.00
Karen Barger	\$525.00	Doug Lyon	\$00.00
Britt Bassett	\$00.00	Kohler McInnis	\$00.00
Robert Formwalt	\$200.00	Davin Montoya	\$00.00
Dan Huntington	\$150.68	Jack Turner	\$00.00
Rachel Landis	\$525.00	Guinn Unger	\$595.71

Motion: Director Turner moved to approve Director expenses as presented. Motion seconded and carried without dissent.

VI. ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION

EQUITY RETIREMENT – OPTIONS AND HISTORY – CFO Svanes explained several methods for allocating Equity (comprised of Capital Credits, Member Equity, and Patronage Capital) back to members as a requirement of being a cooperative, discussed financial models, and reviewed LPEA’s Bylaws requirements and previous retirement methods. Discussion ensued on the merits of retiring capital on a First-In, First-Out (FIFO) basis, a percentage basis, and a combined basis as LPEA has been doing: 50% FIFO and 50% on percentage basis.

An informal poll of the Board of Directors by President Montoya concluded that a 75% / 25% percentage basis retirement method was preferred by 6 of 9 Directors, with Director Unger in favor of 50% / 50%, President Montoya abstaining, and Director Landis opposed to any decision on the basis of needing more information. CFO Svanes will return to the Board in October with a formal recommendation and resolution to retire Equity on a 75% / 25% percentage basis.

CAPITAL ITEMS EXPENDITURE BUDGET – CFO Svanes reviewed the 2018 Capital Items Budget timeline and took questions on various line items relative to the KRTAs and previous year actuals. Directors discussed the format of the budget presentation and detail level, and there was consensus going forward to keep the summary sheets and do away with line item justification sheets, except for large expenditures. Svanes will present the final comprehensive budget for Board approval in November.

REVIEW REGULATORY COMPLIANCE O&I – Ron Meier addressed the Regulatory O&I as presented, and advised that Staff would like to revise the document title to *Regulatory Affairs*, and broaden the strategic statement to reflect the full scope and intent of **Regulatory Affairs** objectives and initiatives. Meier took feedback on a revised strategic statement draft and discussed a multitude of

compliance standards that the cooperative is obligated to adhere to. The Board directed Staff to finalize the revised strategic statement draft and present for further review at the October Board meeting.

VII. ATTORNEY REPORT

Referring to the written report included in the Board packet, Attorney Denning highlighted work done for LPEA and took all questions.

ATTORNEY ENGAGEMENT LETTER – Attorney Denning reviewed the updated one-year contract which includes additional back-up services as needed, and took questions.

Motion: Director McInnis moved to accept the Attorney Letter of Engagement as written. Motion seconded and carried without dissent.

IX. DIRECTOR REPORTS AND OTHER BOARD ACTIONS

FASTTRACK COMMUNICATIONS REPORT – CEO Dreyspring advised that Timothy Maurer resigned from the FTC Board, and requested the LPEA Board nominate an LPEA Director to fill the unexpired term, which ends in April 2018. There was consensus among the Board to nominate Director Barger to serve as the LPEA representative on the FTC Board of Directors. The FTC Board will then address the nomination in filling the vacancy.

Motion: Director McInnis moved to nominate Director Barger as the LPEA representative to the FTC Board for the unexpired term through April 2018. Motion seconded and carried without dissent.

ROUND UP FOUNDATION REPORT – Director Alley reported that Education Grants were awarded to Durango Cowboy Poetry Gathering for \$1,000, and Pagosa Springs High School for \$4,000; and Round Up Grants were awarded to KSUT for \$3,000, and Tiospaye for \$1,000.

TRI-STATE REPORT – Director McInnis reported that the Tri-State Board approved the 2018 Capital and O&M Budgets with no increase in the 2018 wholesale energy rate. Tri-State staff will continue moving forward with the Mountain West Transmission Group in consideration of joining the Southwest Power Pool. McInnis highlighted information from the EPA Annual Report that reflects the progress being made in emissions reductions by G&Ts across the country.

CREA REPORT – Director Barger reported that 65 House seats and 26 Senate seats are up for election. A motion was passed at CREA authorizing its staff to engage and develop Broadband legislation. Discussion ensued around reliability, individual cooperative legislation involvement, and CREA Board opposition to retail choice.

WESTERN UNITED REPORT – Director Formwalt reported on the recent open house and tour, the continued upward trend in sales, and \$5,000 in aid sent to Texas to aid cooperatives affected by hurricane Irma.

X. UPCOMING EXTERNAL MEETINGS

Director Montoya addressed the upcoming external meetings list and entertained travel requests. Directors Unger, McInnis, Formwalt, Montoya, and Huntington requested to attend the CREA Fall Conference in Denver; Director Landis requested to attend the E2! Conference in Paonia.

Motion: Director Alley moved to approve all travel requests. Motion seconded and carried without dissent.

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

An executive session did not take place.

XIII. FUTURE AGENDA ITEMS AND COMMITTEE SCHEDULES

The Board confirmed that a Committee of the Whole meeting would take place October 18 in Durango from 9:00 a.m. to 2:00 p.m., and a November Committee of the Whole meeting was not likely. Director Landis advised that she will not be in attendance for October Board or COW meetings. Director Huntington advised that he will not be in attendance for the October COW meeting.

CEO Dreyspring addressed Policy 117 Request for Information, by Tim Wheeler for a copy of the KCEC-Guzman spreadsheet. The Board denied the request on the basis of the KCEC confidentiality agreement.

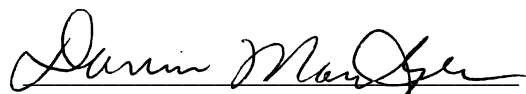
Motion: Director McInnis moved to deny the Policy 117 Request for Information by Tim Wheeler. Motion seconded and carried 7 to 1 with Director Unger opposed and Director Montoya abstaining.

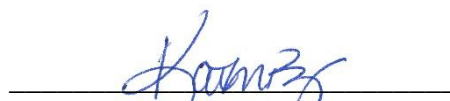
CEO Dreyspring addressed Policy 117 Request for Information, by Jeff Berman for a copy of the Economics of Renewables presentation by Dan Harms. The Board accepted the request on the basis that it was a public presentation.

Motion: Director Huntington moved to approve the Policy 117 Request for Information by Jeff Berman. Motion seconded and carried without dissent.

There being no further business, the LPEA Board of Directors meeting adjourned at 2:10 p.m.

Recorded by C.E. Charistopoulos, and approved by:


Davin Montoya, President


Karen Barger, Secretary