

LA PLATA ELECTRIC ASSOCIATION, INC.
Board of Directors' Minutes of Meeting
Wednesday, February 21, 2018
Durango, Colorado

I. CALL TO ORDER

The regular monthly meeting of the Board of Directors of La Plata Electric Association, Inc. was held Wednesday, February 21, 2018 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	Dan Huntington	Kohler McInnis
Karen Barger, Secretary	Rachel Landis	Davin Montoya, President
Britt Bassett	Bob Lynch, Vice President	Jack Turner
Bob Formwalt,	Doug Lyon	Guinn Unger

LPEA STAFF:

Mike Dreyspring, Chief Executive Officer
Dennis Svanes, Chief Financial Officer
Jerry Wills, District Manager of Pagosa Springs Office
Dan Harms, Manager of Rates, Technology and Energy Policy
Ron Meier, Manager of Engineering, Member Relations
Nadine Ontiveros, Manager of HR
Justin Talbot, Manager of Operations
Shay Denning, LPEA General Counsel
Ryne Waggoner, Staff Engineer
C. E. Charistopoulos, Executive Assistant

EXCUSED ABSENCE: None.

GUESTS (from sign in sheet): The following guests were present: Darryl Metz, Marty Pool, Kurt Schneider, Emily Birk, Patricia Dawson, Shawn Andreatta, Tim Wheeler, Peter May-Ostendorp, Nick and Louise Van Vonno, Mary Shinn, Eileen Music, Gene Fisher, Chris Blackshear, Rosamaria Romero, Pat Goldman, Lauri Costello, Bill Carver, Jack Llewellyn, Betsy Romere, C.D. Dickson, Lori Bryan, Michael Bell, Mark Pearson, Dave Peters, John Beebe, Kathleen McInnis, Koby McInnis, Tony Hudspeth, Karel Longan, Lyle McKnight, David Thomson, Jenn Wheeling, Richard Fultner, Seth Furtney, Susan Atkinson, Kirby MacLaurin, Richard Grossman, Larry Zauberis.

Doug Lyon led the Board, Staff, and guests in reciting the Pledge of Allegiance.

I. APPROVAL OF AGENDA

President Montoya addressed the February 21, 2018 Board meeting agenda. A request was made to allow the Long-Term Strategy Committee Report to take place following the approval of the Consent Items.

Motion: Director Turner moved to approve the agenda with the approved modification. Motion seconded and carried without dissent.

II. MEMBER COMMENTS AND CONCERNS

Members presented comments to the Board in favor of and opposed to allowing the Long-Term Strategies Committee to study the future of energy. Comments, suggestions and questions were made by attending members that addressed, among other issues, allowing the Committee to study the economic, environmental, and health benefits of renewables, blind spots and bias in knowledge, the advancement of new technology, and the recommendation that the Board work as a Committee of the Whole to educate themselves and explore options for the energy future.

Questions arose about the cost of the Committee, Tri-State Policy 118 Member System Participative Generation, and concerns that Committee work might duplicate work done by Staff and through the Strategic Plan. Others commented that we all want the same things and encouraged all to work together to figure out how to increase renewables, here and across the state, without harming members. President Montoya and CEO Dreyspring spoke to the questions that remain about how Tri-State Policy 118 works, given that no such projects exist to set a precedent.

III. CONSENT BOARD ITEMS.

President Montoya addressed the Consent Board Items. A correction to the Minutes regarding the Western Untied report was requested.

Motion: Director McInnis moved to approve the Consent Board Items: accepting new members, capital credit payments to estates, monthly write-offs, and minutes for the January 17, 2018 Board meeting with approved modifications. Motion seconded, and carried without dissent.

V. ITEMS REQUIRING BOARD ACTION

LONG-TERM STRATEGIES COMMITTEE REPORT AND AFFIRMATION VOTE – Committee Chairman, Dan Huntington addressed the Vision and Mission Statements, and Task List that were crafted during the January 31st Long-Term Strategies Committee meeting. Concerns were raised and discussed regarding costs incurred by the Committee, leveraging the existing work of Staff and their time to the benefit of the Committee research efforts, eliminating items on the Task List that currently exist within the Strategic Plan or other existing reporting mechanisms, compiling all desired information in a comprehensive form, and working toward progress in a thoughtful way that benefits members.

The Board was in agreement with CEO Dreyspring's recommendation that the Committee look at the work that Staff has done and identify gaps in the Strategic Plan as they relate to a 10-15 year vision. A proposal was put forth to make the Strategic Plan available with a public dashboard and provide Director access to the full Strategic Plan. CEO Dreyspring advised that Dan Harms will be committed to working with the Committee to address items on the Task List, and that he will provide instruction for Directors to access the full Strategic Plan. Another proposal was made to have Directors discuss the topic of *Finding gaps in the Strategic Plan*, rather than *Climate Change*, during the March 21st Board Retreat.

Motion: Director Lyon moved to approve the Vision and Mission Statements as presented by the Long-Term Strategies Committee. Motion seconded, and carried 11 to 1.

Motion: Director Lynch moved to approve the continuation of the Long-Term Strategies Committee, consistent with the Statement of Functions, and approve the Task List that the Long-Term Strategies Committee has developed with the provision that any information Staff has already developed related to the Task List be provided to the Committee and be incorporated into any final report; further, any additional work for the Staff be approved by the CEO, and Staff is to work with the Committee to refine the Task List. Motion seconded, and carried without dissent.

The Long-Term Strategies Committee will meet at 1:00 p.m. on March 8th to identify gaps in the Strategic Plan that look 10-15 years ahead, and present a report to the Board at the March 21st Board meeting as directed by the Board.

IV. CEO AND STAFF REPORTS

CEO Dreyspring addressed meetings attended, including the CREA Legislative Session. Dreyspring met with Colorado Senator, Don Coram and Colorado Representative, Barb McLachlan to discuss various legislative efforts. Dreyspring highlighted information about Senate Bill 18-002 Financing Rural Broadband Deployment, Senate Bill 18-167 Enforce Requirements for 811 Locate Underground Facilities, and House Bill 18-1048 Fort Lewis College Spending Hesperus Account.

CFO Svanes reported that BKD Advisors will present the 2017 audit report at the March 21st Board meeting, Unclaimed Capital Credits were published in the service territory newspapers, and January Revenue, Purchased Power, and Operating Margins were less than forecast due to the warmer weather.

Svanes advised that the Tri-State forecast shows no rate increases through 2022 while increasing the capital credit retirements to \$30 million per year – normally \$10 million with \$20 million retired at the end of 2017. With this plan, LPEA would receive \$14.8 million in cash from that patronage retirement over the next five years – an average of \$2.96 million per year. Svanes discussed how Net Present Value works in relationship to Capital Credits.

District Manager, Jerry Wills reported that the joint use inventory of poles is underway, there were a number of weather related outages over the past few weeks, and Debbie Bass has taken a number of

weather related, high bill complaints. Manager of HR, Nadine Ontiveros reported that Larry Redman retired after 39 years, and the Supervisors Roundtable is working on Change Management.

Manager of Engineering and Member Relations, Ron Meier reported that he is working with the City of Durango to modify the application process for PV permits; the call center is reconfiguring the IVR process for efficiency; and a Communications Planning Focus is underway, targeting the major LPEA talking points for the year. Meier touched on the possibility of working with Comcast to present commercials, and opportunities for members to have *Coffee with the CEO* at coffee shops in the service territory.

Staff Engineer, Ryne Waggoner, gave a presentation on North American Electric Reliability Council (NERC) Compliance Fundamentals to the Board, that addressed the history and formation of NERC; registration requirements, models, and processes; reliability standards, violation risk factors and severity levels; and compliance monitoring and enforcement. LPEA has been registered as a Distribution Provider as of August 2007; a Transmission Owner as of April 2017, with a completed compliance schedule as of November 2017; and a Transmission Operator as of December 2017, with compliance completion scheduled for November 2019.

Manager of Technology, and Energy Policy, Dan Harms reported on the LED street light project on North Main Avenue that uses 75% less energy, and provides various light shaping effects. Harms and Meier have been in discussions with Rural Electric Services on project pricing for 1, 2, and 4MW utility scale solar projects. There are ongoing talks with the Colorado Energy Office to cover the State's corridors with a cohesive Electric Vehicle charging station plan, which include analyzing cost effective models.

4CORE Program Manager, Emily Birk, presented an update on the Socorro Senior Center Solar Project. The LG battery is programmed with TOU rates and provides electricity during high-peak times, with an estimated annual savings of \$5,000. Solar Edge inverters and monitors allow the system to be monitored, and they are trouble-shooting issues of energy storage loss that come with the territory of new technology. Birk thanked LPEA for partnering with 4CORE on the project.

Manager of Operations, Justin Talbot discussed the positive impact of NERC standards to enhance best practices, and reported two major outages that were vehicle related, and one major outage due to equipment failure. An unannounced RESAP safety inspection is expected at some point in the near future, and budget items are being ordered.

V. ITEMS REQUIRING BOARD ACTION

LPEA POLICY REVIEW AND POSSIBLE APPROVAL: POLICY 105 OFFERS TO ACQUIRE
– CFO Svanes addressed his recommendation to renumber Policy 128 Offers to Acquire, to become Policy 105 Offers to Acquire, and took all questions. A few minor grammatical changes were noted.

Motion: Director Huntington moved to renumber Policy 128 Offers to Acquire, to become Policy 105 Offers to Acquire with minor grammatical changes. Motion seconded and carried without dissent.

LPEA POLICY REVIEW AND POSSIBLE APPROVAL: POLICY 203 DISPOSITION OF UNCLAIMED CAPITAL CREDITS – CFO Svanes addressed his recommendation to renumber Policy 208 Disposition of Unclaimed Capital Credits to become Policy 203 Disposition of Unclaimed Capital Credits, and took all questions. The Board agreed to a monthly increase to the Education Grant Fund of \$1,000, bringing the total monthly contribution to \$5,000.

Motion: Director Alley moved to renumber Policy 208 Disposition of Unclaimed Capital Credits to become Policy 203 Disposition of Unclaimed Capital Credits. Motion seconded, and carried without dissent.

Motion: Director Bassett moved to increase the monthly Unclaimed Capital Credit contribution to the Education Grand Fund by \$1,000. Motion seconded, and carried 10 to 2 with Directors Barger and Turner opposed.

UNCLAIMED CAPITAL CREDITS DISPOSITION REVIEW AND INNOVATIVE PROJECTS FUND – The Board discussed funding the Innovative Projects Fund, and opening up the remainder of 2018 Unclaimed Capital Credits for grants.

Motion: Director Lyon moved to reserve \$150,000 of the 2018 Unclaimed Capital Credits for the Innovative Project Fund. Motion seconded.

Motion to Amend: Director Bassett moved to amend the motion to reserve \$100,000 of the 2018 Unclaimed Capital Credits for the Innovative Project Fund. Motion seconded, and failed 3 to 9, with Directors Bassett, Turner, and Unger voting in favor of the Amendment.

Motion to Amend: Director Bassett moved to open up the remainder of the 2018 Unclaimed Capital Credits for grants. Motion seconded, and carried without dissent.

Motion Resumed: Director Lyon moved to reserve \$150,000 of the 2018 Unclaimed Capital Credits for the Innovative Project Fund. Motion seconded, and carried without dissent.

RESOLUTION 2018-03 TRI-STATE FACILITIES MAINTENANCE AGREEMENT – Justin Talbot reviewed Resolution 2018-03 Tri-State Facilities Maintenance Agreement, and took all questions.

Motion: Director Barger moved to adopt Resolution 2018-03 Tri-State Facilities Maintenance Agreement. Motion seconded and carried without dissent.

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

LPEA Mileage Reimbursements

Mike Alley	\$65.40	Bob Lynch	\$130.80
Karen Barger	\$14.17	Doug Lyon	\$2.18

Britt Bassett	\$00.00	Kohler McInnis	\$8.72
Robert Formwalt	\$65.40	Davin Montoya	\$19.08
Dan Huntington	\$52.32	Jack Turner	\$14.72
Rachel Landis	\$5.45	Guinn Unger	\$56.68

LPEA Board Meetings

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

Other External Meetings

Mike Alley	\$00.00	Bob Lynch	\$1929.60
Karen Barger	\$1509.04	Doug Lyon	\$00.00
Britt Bassett	\$125.00	Kohler McInnis	\$1310.27
Robert Formwalt	\$2077.94	Davin Montoya	\$00.00
Dan Huntington	\$1257.39	Jack Turner	\$1316.31
Rachel Landis	\$1285.48	Guinn Unger	\$125.00

Motion: Director Turner moved to approve Director expenses as presented; as well as, the expenses for the January 31st Long-Term Strategies Committee Meeting. Motion seconded and carried without dissent.

VII. ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION

CEO REVIEW OF CONTRACT VALUATION MODEL – CEO Dreyspring presented his financial model on valuation of the wholesale power agreement between LPEA and Tri-State G&T. Dreyspring emphasized the purpose of his presentation was not to provide a tentative buyout number, but rather to help the board and members to understand the value of the contract from one perspective of the party to the contract, namely Tri-State. Dreyspring’s presentation was broken into segments in open session and in executive session. Dreyspring specifically reviewed a load forecast through 2050, Tri-State rate forecast through 2050, and sensitivities for both forecasts. Dreyspring also reviewed typical deductions parties can expect in exiting a power requirements contract, such as fuel costs. Dreyspring also provided two different market projections, one from Platt’s 10-year electric price forwards for the Four Corners Delivery Point, and Tri-State’s Board of Director Policy 115 tables, which Tri-State represents as containing some element of market value. Directors and members asked questions and made comments. Dreyspring concluded his open session remarks with the presentation of the market data.

CREA PROPOSED TELECOM LEGISLATION – CEO Dreyspring noted that this item had been discussed in the Legislative Update. There was no further discussion.

MAY 12, 2018 ANNUAL MEETING UPDATE: REVIEW PLANS – Ron Meier advised that the bylaws amendments and an instructional document for the members has been posted to the website.

Director candidate packets went out on schedule, envelopes are in print, and ballots are in the draft phase.

MAY 12, 2018 ANNUAL MEETING UPDATE: REVIEW POLICY 127 ANNUAL MEETING – Ron Meier addressed Policy 127 Annual Meeting. No discussion took place.

VIII. ATTORNEY REPORT

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

IX. DIRECTOR REPORTS AND OTHER BOARD ACTIONS

ROUND UP FOUNDATION REPORT – Director Unger advised that the February meeting will take place on the 26th. Education Grants were awarded to Durango Arts Center Education for \$1,000, Snowboard Outreach Society for \$1,000, FLC American Indian Business Leaders for \$1,000, and Park Elementary School for \$1,005; and Round Up Grants were awarded to FLC Police and Parking Services for \$2,000, SW Rural Philanthropy Days for \$2,000, and Durango Arts Center Theater for \$1,000. There was consensus among the Board that decisions about grant requests were the discretion of the Round Up Foundation Board.

TRI-STATE REPORT – Director McInnis reported that Tri-State has been able to manage costs and present a budget with no Class A rate increase in 2018, and provide a \$20 million refund in patronage capital to members. Looking forward, financial forecasts look strong and projected wholesale rates look stable. Staff from United Power reviewed their 4mW/16mWh, 7,000 square foot, \$8 million, Tesla battery project. They are experiencing a 20% loss of power after being charged, and WAPA is considering whether to classify the battery as a Generation Asset.

Tri-State announced the launch of the *Generate Possibilities* campaign which is intended to build awareness of Tri-State's diverse resource portfolio with focus on renewable resources that are part of Tri-State's energy mix, 30% of the electricity used by cooperative members comes from renewable resources, and Tri-State is the cooperative G&T industry leader providing 85 MW of solar energy.

McInnis is a member of the Colorado Education Institute Board of Directors which meets twice per year. They raise funds for the Youth Leadership Camp, the Washington D.C. Youth Tour, and a Burn Fund.

FASTTRACK COMMUNICATIONS REPORT – Dan Harms reported that the Board discussed a fiber line issue, growth opportunities, and staffing changes.

CREA REPORT – Director Barger reported that the CREA Board met the previous week, and the discussions at the Annual Meeting centered around legislative issues and the position of the CREA Board. Barger noted that the CREA Capitol Insider email is a great resource to follow legislative issues

that are important to the Colorado cooperatives, and the CREA Safety Director is dedicated to supporting a culture of safety with an emphasis on paying attention and not taking any short-cuts.

CEO Dreyspring attended the CREA Annual meeting, and reported that LPEA's Communications Consultant, Indiana Reed won top awards in all categories for contributions to Colorado Country Life magazine, and LPEA won best overall newsletter.

WESTERN UNITED REPORT – Western United Board President, and LPEA Director, Bob Formwalt reported a great turn out at the Western United Annual Meeting. Bylaws amendments to increase the number of Directors to 33, and to admit cooperatives from Nevada and Idaho were passed. The Board meeting focused on CEO succession, and the testing labs are drawing people from all over the country.

COLORADO COMMUNITY SYMPOSIUM – Director Landis reported that Officials from all levels, Staff from various NGO's and utilities met to discuss and explore ideas for meeting common goals ranging from water, food and ag, climate change response, to transportation, clean energy, and economic vitality. Landis noted an impressive attendance by executives from Xcel Energy, Tri-State, various cooperatives and research institutions, and discussions that were fruitful in teasing out opportunities, challenges, and resources needed to move toward common goals in an environment of changing business models and rapid technology growth.

President Montoya noted that he was approached by members who complained that Directors are paid \$1,200 per day plus expenses for attending Board meetings, and they come in late, leave early, and step out during meetings for personal business. The members asked that all Directors dedicate their time and attention to the full Board meeting. Montoya advised that he does his best to keep meetings on track to end by 5:00 p.m. to avoid placing an undue burden of time on Directors.

X. UPCOMING EXTERNAL MEETINGS

President Montoya addressed the Upcoming External Meeting list. Directors Turner and Montoya requested to attend the Tri-State Annual Meeting, April 3-5, in Denver CO.

Motion: Director McInnis moved to accept all Director travel requests. Motion seconded and carried without dissent.

APPOINT VOTING DELEGATE/ALTERNATE TO 2018 TRI-STATE ANNUAL MEETING – Director Montoya was nominated as the Voting Delegate, and Director Turner as the Voting Alternate to the 2018 Tri-State Annual Meeting, April 4-5 in Denver, CO.

Motion: Director Lynch moved to appoint Director Montoya as the Voting Delegate, and Director Turner as the Voting Alternate to the 2018 Tri-State Annual Meeting. Motion seconded and carried without dissent.

APPOINT VOTING DELEGATE/ALTERNATE TO 2018 FASTTRACK COMMUNICATIONS ANNUAL SHAREHOLDERS' MEETING – Director Huntington was nominated as the Voting

Delegate, and Director Barger as the Voting Alternate to the 2018 FastTrack Communications Annual Shareholders' Meeting, April 13, 2018.

Motion: Director Lynch moved to appoint Director Huntington as the Voting Delegate, and Director Barger as the Voting Alternate to the 2018 FastTrack Communications Annual Shareholders' Meeting. Motion seconded and carried without dissent.

Director Bassett requested to review the previous twelve months of bills from Tri-State, for the purposes of studying projects that fall under Policy 115 Member System Distributed Generation. CFO Svanes advised an analysis of the Policy 115 projects had just completed and is available for review. There was consensus among the Board to allow Director Bassett to receive the information as requested.

XI. REVIEW OF CEO ACTION LIST

CEO Dreyspring reviewed the list of action items taken from the Board meeting and answered all questions.

XII. FUTURE AGENDA ITEMS AND COMMITTEE SCHEDULES

President Montoya advised that following the March 21, 2018 Board meeting that will take place from 8:00 a.m. to 11:00 a.m., all Directors will meet in executive session from 11:30 a.m. to 5:00 p.m. at the Board Retreat work site. Director Huntington advised that the next Long-Term Strategies Committee meetings take place at 1:00 p.m. on March 8, 2018, 9:00 a.m. on March 14, 2018, and at 1:00 p.m. on March 29, 2018 in the LPEA Board room.

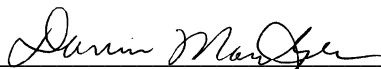
XIII. EXECUTIVE SESSION

Motion: Director Lynch moved to enter into executive session to discuss the FastTrack DFNA Update, the External Investigation Update, and the CEO Contract Valuation Model. Motion seconded and carried without dissent.

Director McInnis was excused from the CEO Tri-State Contract Valuation Model. The Board was in executive session from 5:12 p.m. to 6:03 p.m.

There being no further business, the LPEA Board of Directors meeting adjourned at 6:03 p.m.

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



Davin Montoya, President



Karen Barger, Secretary