

LA PLATA ELECTRIC ASSOCIATION, INC.
Board of Directors' Minutes of Meeting
Wednesday, June 20, 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, June 20, 2018 at the headquarters building in Durango, Colorado. President Lynch called the meeting to order at 9:00 a.m., with the following Directors present:

Mike Alley	Bob Lynch, President	Kirsten Skeeahan
Britt Bassett, Vice President	Doug Lyon	Jack Turner
Dan Huntington, Secretary	Kohler McInnis	Guinn Unger
Rachel Landis	Davin Montoya	Tim Wheeler, Treasurer

LPEA STAFF:

Mike Dreyspring, Chief Executive Officer
Dennis Svanes, Chief Financial Officer
Nadine Ontiveros, Manager of HR
Ron Meier, Manager of Engineering, Member Relations, and Marketing
Justin Talbot, Manager of Operations
Jerry Wills, District Manager, Pagosa Springs
C. E. Charistopoulos, Executive Assistant
Shay Denning, LPEA General Counsel

EXCUSED ABSENCE: Dan Harms, Manager of Rates, Technology, and Energy Policy.

GUESTS (from sign in sheet): The following guests were present: Betsy Romere, Karen Pontius, Kirby Mac Laurin, Lauri Costello, Sarah Ferrell, Emily Bowie, Karen Barger, Larry Zauberis, Tom Compton.

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

I. APPROVAL OF AGENDA

President Lynch addressed the June 20, 2018 Board meeting agenda.

Motion: Director Lyon moved to approve the agenda. Motion seconded and carried without dissent.

REVIEW OF EXIT AND EGRESS FROM BUILDING AND MEET UP SITE IN EVENT OF EVACUATION – CEO Dreyspring reviewed the emergency evacuation procedures.

II. MEMBER COMMENTS AND CONCERNS

Members expressed appreciation for the Long-Term Strategies Committee (LTSC) Report that took place Monday, June 18, at the Committee of the Whole meeting and for adhering to the values of the LPEA Mission Statement. Members encouraged the Board to follow-through with exploring the use of a consultant to value the LPEA contract with Tri-State, requested that the LTSC Report be made available online, and offered a reminder that Safety includes public health.

Member requests also came for an explanation of the Board's decision not to reinstate the previous LPEA representative to the Tri-State Board of Directors, and that the Board meetings be recorded and made available online. A member asked about the status of the rate structure change to eliminate solar subsidies and CEO Dreyspring advised that monthly rate topic discussions will take place during the Committee of the Whole meetings from July through September, with a decision on rates made by October.

III. CONSENT BOARD ITEMS.

President Lynch addressed the Consent Board Items. A request was made to correct conflicting wording in the minutes in sections II Member Comments and VI Items for Board Review and Possible Action.

Motion: Director McInnis moved to approve the Consent Board Items: capital credit payments to estates, monthly write-offs, minutes for the May 16, 2018 Board meeting with approved corrections, and minutes for the May 13, 2017 and May 12, 2018 Special Meetings to Accept New Members. Motion seconded, and carried without dissent.

IV. CEO AND STAFF REPORTS

Justin Talbot reported on incidents and close calls in the Safety Report and took questions. Staff is prepared for unannounced inspections by the Rural Electric Safety Accreditation Program. Trucks are equipped with water packs and hoses for use during line patrols, and LPEA has been given the security codes to access gated communities in emergency situations, such as the recent 416 fire.

Talbot addressed the Operations Report and noted that crews are busy with Summer projects, the BODO Park Substation upgrade is expected to be completed by July 1, and planned outages are scheduled for maintenance work. Talbot took questions on after-hours outage reporting and advised that the free SmartHub app is the best method for easy and efficient outage reporting, AMI data informs LPEA Staff of outages in real time, and the after-hours phone system communicates with LPEA Dispatch operators.

A large planned outage occurred June 8 on the top of Purgatory to de-energize lines for 416 fire protection, and the lines will be re-energized soon. No faults or damage occurred to power lines as a result of the 416 fire. An outage of unknown cause affected 1,000 customers at Vallecito for nearly 3 hours, and an outage due to faulty equipment affected customers in Spring Creek in the north Valley.

Jerry Wills discussed fire safety, noting that crews work in conjunction with the Forest Service, every truck is equipped with water packs, and entire circuits are inspected in an outage. Crews are busy with projects and rebuilds, and the Pagosa Springs office is running smoothly

CEO Dreyspring addressed the 90-day notice period on changes to Tri-State Policy 115 Member System Distributed Generation to include the treatment and classification of batteries. Other noteworthy changes include a decline in the pricing tables, and a change to the application date for commercial operations. CEO Dreyspring advised that he will process comments on the classification and treatment of batteries and present a draft letter of response for the LPEA Board to finalize and submit to Tri-State after the July LPEA board meeting.

Discussion ensued on the position of the Federal Energy Regulatory Commission (FERC) on battery classification and treatment, the conflict of Tri-State Policy 115 with the LPEA All Power Requirements contract, the classification of generation at both the Generation and Distribution levels, consumption, avoidance of demand, and an invitation by Tri-State Board President, Rick Gordon to Dreyspring to chair a committee to facilitate input from the cooperatives to Tri-State on future changes to Tri-State Policy 115.

Concern was expressed that Dreyspring would not be able to represent LPEA's interests as the Committee Chairman. Dreyspring was directed to contact Gordon to discuss LPEA participation and find out if LPEA Director Representative to Tri-State, Kirsten Skeehan could sit on the committee, and directed Dreyspring to participate and represent LPEA's interests as it relates to Tri-State Policy 115.

Dreyspring reported that LPEA received a solar project proposal from CalCom Energy, the first written proposal for a potential Qualified Facility (QF) project. LPEA is required by FERC to negotiate in good faith and offer their avoided cost to QFs. Attorney Denning noted that it is unclear from the CalCom letter whether they have an existing QF project, or if these discussions will assist in developing a QF project. Therefore, more discussion is needed with the entity to determine the extent of their request and proposal. Vice President Bassett disclosed that he owns stock in CalCom and stated that he will recuse himself from discussion and voting on this project. Staff will set up a meeting with CalCom representatives to further explore the details of their offer.

Dreyspring reported that, as a result of DMEA's request for the details associated with Kit Carson Electric Cooperative (KCEC)'s buyout from Tri-State and Tri-State's subsequent refusal to provide that data, Delta Montrose Electric Association (DMEA) issued a formal complaint to Tri-State under Tri-State Policy 316 Non Rate Dispute. DMEA sent a letter to LPEA requesting support for the release of information, but the exact nature of support being requested is unclear. Discussion ensued on Tri-State's position on the non-disclosure agreement with KCEC, whether

to support DMEA's request, and whether to participate in the hearing of the complaint scheduled for July 10, 2018.

There was consensus among the Board to authorize CEO Dreyspring to advise Tri-State of LPEA's intent to participate in the hearing of the complaint by the June 22, 2018 deadline. Dreyspring will take the consensus input from the Directors to draft a letter encouraging Tri-State to act in a manner consistent with the Cooperative principles, advocating for transparency in disclosing the method for creating the buyout numbers for KCEC, and stating that LPEA is interested in knowing the extent of the recovery of fixed costs so that other cooperatives are not burdened.

Dreyspring gave an update on the NRECA Regional meeting in September in which a governance issue will be addressed, touched on the Quarterly LPEA Policy 117 Requests for Cooperative Information, and a change to the Legislative Update which will resume in the fall.

CFO Dennis Svanes advised that due to the 416 fire, LPEA has shortened its liquidity position for flexibility to protect assets in the event of an emergency, as system repairs are costly and require cash. No LPEA assets are currently in danger. Svanes reported that the May Revenue came in exactly on Budget, Operating Margins were slightly above YTD Forecast, and took questions on Capital Credits, Equity as a percentage of Assets, Modified Debt Service Coverage, Covenants, Loan Requirements, and Debt Ratio.

Nadine Ontiveros presented the Benefits Report and discussed how it aligns with the Strategic Plan which is driven by the LPEA Mission Statement. Objectives and Initiatives within the Area of Focus on Employee Development include an employee driven Benefits Plan. Ontiveros summarized the Benefits plan, discussed data, and noted that decisions made by the Health Insurance Committee and the 401K Committee are guided by the LPEA Mission Statement. Director Wheeler requested to review the Employee Handbook when the revisions and updates are complete.

Discussion ensued on 1099 Self-Employment income received by Directors and allowing their personal tax advisors and financial planners to assist with tax and retirement related concerns. Staff was directed to add a brief explanation of 1099 Income to the new director orientation materials and to recommend that new directors to get tax advice from their tax advisors.

Ron Meier presented the Engineering and Member Relations report. The Customer Service Representatives have re-themed the Christmas Giving Tree to receive donations for LPEA members who were affected by the 416 fire. Meier touched on an NRECA study called the *Lexicon Project* which addressed marketing and messaging for millennials. Meier will include the study in the July Board packet.

Meier reported that LPEA is submitting a grant application to Charge Ahead Colorado for a level 2 charging station in Pagosa Springs, and is a party in an application for funds to bring level 3 charging stations to the Highway 160 corridor. Energy Management Advisor, Nancy Andrews took questions on details and logistics of the chargers. CFO Svanes advised that apps such as

ChargePoint, Google maps, and iMaps populate registered charging stations in real time for electric vehicle users.

LPEA is working with the City of Durango to install a charging station in the Albertson's parking lot, and with the Town of Pagosa Springs to install charging stations at Mary Fisher Park. Discussion ensued on ownership and liability. CEO Dreyspring advised that sales to non-members must be below 15% of sales to members or LPEA risks losing its Federal Income Tax Exempt status. Because EV charging could likely be to non-members, LPEA prefers for its members to own EV chargers and the power to be sold through LPEA members. LPEA is willing to install EV chargers as a way to stimulate and serve this growing load and demand.

Sue Maxwell took questions on why various reports such as the LPEA Form 7 and the LPEA Renewable Portfolio Standard Compliance Report display conflicting information about renewable energy generation. Maxwell explained that LPEA is able to include Renewable Energy Credits (RECs) in their reporting, and the REC multipliers often change based on legislation.

The Rates, Technology, and Energy Policy report was provided in the Board packet. Meier was made available to answer questions on the report.

V. ITEMS REQUIRING BOARD ACTION

2019 ANNUAL MEETING: DATE AND LOCATION SELECTION – Ron Meier led a discussion of the pros and cons of various venue options, dates, and times for the 2019 Annual Meeting of the Members. There was consensus among the Board for a rotating pattern for Annual Meeting location with one year in Durango, one year in Pagosa Springs, and three years in Ignacio.

Motion: Director McInnis moved to approve a 10:30 a.m. meeting at the Sky Ute Event Center on May 11, 2019. Motion seconded. Discussion ensued about staff time to prepare at various venues and rotating the location to benefit members in every district. Motion failed 5 to 5 with Directors Unger, Wheeler, Skeehan, Bassett and Turner opposed; and President Lynch abstaining and Landis abstaining due to her affiliation with Fort Lewis College, a venue under consideration.

Motion: Director Bassett moved to approve a 5:30 p.m. meeting on May 2, 2019 at the Fort Lewis Concert Hall. Motion seconded. Discussion ensued on how the Annual Meeting voting ballot timeline would be affected by an earlier date. Motion passed 7 to 4 with Directors Montoya, McInnis, Huntington, and Alley opposed; and Director Landis abstaining.

2019 ANNUAL LONG-TERM STRATEGIES COMMITTEE REPORT: APPROVAL OF MAY 24, 2018 LONG-TERM STRATEGIES COMMITTEE MEETING MINUTES

Motion: Director Bassett moved to approve the May 24, 2018 Long-Term Strategies Committee Meeting minutes. Motion seconded and carried without dissent.

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

LPEA Mileage Reimbursements

Mike Alley	\$130.80	Kohler McInnis	\$17.44
Britt Bassett	\$00.00	Davin Montoya	\$38.15
Dan Huntington	\$52.32	Kirsten Skeeahan	\$156.96
Rachel Landis	\$00.00	Jack Turner	\$00.00
Bob Lynch	\$130.80	Guinn Unger	\$56.68
Doug Lyon	\$2.18	Tim Wheeler	\$00.00

LPEA Board Meetings

Mike Alley	\$1400.00	Kohler McInnis	\$1400.00
Britt Bassett	\$1400.00	Davin Montoya	\$1400.00
Dan Huntington	\$1400.00	Kirsten Skeeahan	\$1400.00
Rachel Landis	\$1400.00	Jack Turner	\$1400.00
Bob Lynch	\$1400.00	Guinn Unger	\$1400.00
Doug Lyon	\$1400.00	Tim Wheeler	\$1400.00

Other External Meetings

Mike Alley	\$00.00	Kohler McInnis	\$155.52
Britt Bassett	\$00.00	Davin Montoya	\$00.00
Dan Huntington	\$00.00	Kirsten Skeeahan	\$00.00
Rachel Landis	\$5329.30	Jack Turner	\$465.61
Bob Lynch	\$00.00	Guinn Unger	\$00.00
Doug Lyon	\$00.00	Tim Wheeler	\$00.00

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

VI. ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION

CONSIDERATION OF ANY ROUND UP BOARD PROPOSALS FOR SUPPORT OF 416 FIRE AND COMMUNITY AND WORKER IMPACT – CEO Dreyspring advised that the Round Up Board of Directors did come up with a recommendation for 416 fire support to the LPEA Board of Directors.

and Education Grants to the Durango High School Aerospace Design Team (\$2,000), and the Fort Lewis College Science Camp (\$1,000).

Landis reported on the Round Up discussion of the 416 fire response and two community mechanisms in place to offer volunteer assistance – The Community Emergency Action Coalition (CEAC), and the Community Emergency Response Fund (CERF). Funds donated by LPEA will go directly to support individuals in the community who have been directly impacted by the 416 fire, with a \$500 individual cap. The Round Up Board proposed and approved a request to the LPEA Board for assistance funds from Unclaimed Capital Credits in the amount of \$5,000 for the CEAC, and \$25,000 for the CERF.

Motion: Director Turner moved to approve 416 fire assistance funds from Unclaimed Capital Credits in the amount of \$5,000 to the CEAC, and \$25,000 to CERF. Discussion ensued on how the reserves will be impacted if multiple or large fires occur. Motion seconded and carried without dissent.

CEO GOALS FOR BOARD LEADERSHIP – In response to a May request by the Board of Directors that the CEO report on leadership goals that he has for the Board, CEO Dreyspring presented three goals to help guide the Board’s processes and interactions. Dreyspring would like to facilitate Board input to determine Committee structure along the lines of the Long-Term Strategies Committee to enable the Board to process data and provide input to help manage the Board and Staff’s work and time, and to revise LPEA Policy 110 Committees of the Board of Directors if necessary for standing committees. Secondly, Dreyspring would like to develop a process that allows for continued consideration of LPEA’s Strategic Plan for Board and Staff, seeking continued alignment of actions taken by the organization to the Strategic Plan. Finally, Dreyspring would like to develop a framework for agendas that meet both the Board’s objectives for meetings, and Staff resources to plan the work.

DRAFT OF SCOPE OF WORK FOR PROPOSED COMMITTEES – President Lynch discussed next steps in the work done by the Long Term Strategies Committee which can now be followed up with detailed study in committee work that explores options in the wholesale power market and values the Tri-State contract. Lynch proposed that Director Bassett lead the committee and draft a scope of work to evaluate possible work elements, outcomes, resources, and staff requirements for Board consideration and approval in July; as well as, selecting Committee members who will then be immediately charged if the scope of work is approved.

A Director stated that an opportunity to pursue independence, open up local projects, and lower rates was creating pressure; and a Committee working in concert with Staff can get a process of exploration underway quickly. A suggestion was made that a group of micro-committees could pursue all topics in a parallel manner to aid in cohesion and efficiency. Discussion ensued about Board giving direction and having oversight of Staff research and information that is thoroughly and objectively investigated, and verified by independent consultants in order to determine the best path forward.

Frustration and disappointment was expressed that the LTSC presented information that was only new to new Directors, was biased in opposition to Tri-State, and did not address reliability.

Concern was expressed about the viability of LPEA if Tri-State Policy 118 Member System Participative Generation Policy projects are not pursued, if member subsidies of solar continue, and the duplicative work of Staff by committees taking LPEA in the wrong direction. President Lynch advised that Staff worked in concert with the LTSC and found agreement on facts, and that he will be working with CEO Dreyspring to focus on LPEA's relationship with Tri-State and come up with a relationship management strategy and present to the Board in July. Staff will continue to play an integral role in support of future committee work

There was consensus among the Board to delay the formation of a Committee and drafting a scope of work for the committee in favor of focusing on developing a framework for setting Board Goals. Directors Landis and McInnis will work together on a framework and present to the Board in July.

REVIEW OF LPEA STRATEGIC PLAN – Ron Meier reviewed the history of the Strategic Plan and the alignment of the Mission and Vision statements with the Strategic Plan. Meier addressed the Areas of Focus which include Core Financials, Communications, Power Supply, Technology Innovation, and Board and Employee Development. The CEO Vision presented at the October 18, 2018 Board meeting will be incorporated into the Strategic Plan, and elements of the LTSC Report and Board Goals are also expected to be incorporated in the updated plan.

REVIEW POLICY 129 CODE OF ETHICS AND CONDUCT AND COMPETED 2018 CONFLICT DISCLOSURE FORMS – CEO Dreyspring advised that diligence and consistency in conflict disclosure updates are the responsibility of individual Directors to satisfy the Code of Conduct, and it is up to the Board as a whole to decide matters of recusal. Directors reviewed the completed Conflict Disclosure forms. Directors McInnis, Lynch, and Bassett requested to make additional updates to their forms. No questions were taken.

STRATEGIC VISION AND THREE GOALS SET BY BOARD AND STAFF – No discussion took place.

VII. ATTORNEY REPORT

Referring to the written report included in the Board packet, Attorney Denning highlighted work done for LPEA and took all questions. Of note, Denning discussed a memo to the Board that addressed concern about not having a sitting LPEA Board member on the FastTrack (FTC) Board. FTC General Manager, Kelly Hebbard, and Manager of Network Operations, Natambu Obleton were present and agreed to discuss the matter in open session. Denning, who is also legal counsel for minority shareholder, Empire Electric Association (EEA), discussed the protocol for changing the composition of the FTC Board and presented options to address concerns of LPEA, the majority shareholder.

The FTC Board is open to working with the LPEA Board to address the concerns directly, rather than a change in bylaws. Discussion ensued on changing the FTC Annual Shareholder Meeting date, filling Board vacancies, calling a Special Shareholders Meeting to change FTC bylaws, adding an LPEA sitting Director to the FTC Board, and the additional expense of adding more

Directors to the FTC Board. Hebbard advised that the current Board consists of six members and would go to eight members with the addition of an LPEA Director and a commensurate EEA Director. The Board directed Denning to ask the FTC Board what course of action it preferred and report back at the July meeting.

Denning noted that the Election Supervisory Committee met following the Annual Meeting to review Policy 127 and suggest changes to the election process. The minutes from that meeting were included in the Board packet and Committee Chair Betsy Romere was present to answer any questions about the meeting. Staff and legal will present suggested changes to Policy 127 at an upcoming Board meeting, to be added to a future agenda as time permits. Denning addressed a request by the Election Supervisory Committee that CREA drive legislation against the State statute requiring ballot sleeves. Denning will collaborate with LPEA representative to CREA, Director Turner on how to proceed.

IX. DIRECTOR REPORTS AND OTHER BOARD ACTIONS

TRI-STATE REPORT – Director Skeeahan highlighted items from the Tri-State Strategic Plan including an industry update, alternative contracts, issues-based political contributions, and the Southwest Power Pool update. Items discussed at the Tri-State Board meeting included a request by EEA for a 4-month contingency extension for the Totten Lake Solar PV Commercial Operation that was denied, DMEA’s Policy 316 Non-Rate Dispute Resolution to receive financial information, and the passage of Policy 115 Member System Distributed Generation Policy. Skeeahan advised that Tri-State is willing to discuss renewables and welcomes project discussion.

FASTTRACK COMMUNICATIONS REPORT – CEO Dreyspring advised that no report was necessary as discussion took place during the Attorney Report.

CREA REPORT – Director Turner reported that Highline Rural Electric Association gave a tour of a waste heat compression facility and an area wind farm. Turner discussed the use of injection wells to fill reservoirs that feed aquifers and allow for the continuous flow of the Platte River in a process called water augmentation.

WESTERN UNITED REPORT – Director McInnis advised that next meeting is in August and the Board will be selecting a new CEO. Non-member Sales account for 20% of all Sales, and cooperatives benefit greatly by the Capital Credits generated from Non-Member Sales.

4CORE REPORT – Director Landis was granted a request to discuss the report in executive session.

X. UPCOMING EXTERNAL MEETINGS

TRAVEL REQUESTS - President Lynch addressed the Upcoming External Meeting list. Directors Turner and Lynch requested to attend the NRECA Region 7 Meeting in September;

Directors Huntington, McInnis, and Wheeler requested to attend the CREA Innovations Summit in October; and Director Skeeahan requested to attend the NRECA Director Winter School in November.

Motion: Director Huntington moved to approve all Director travel requests. Motion seconded and carried 11 to 1 with Director Montoya opposed on the grounds that Director travel budgets established in Policy 109 Director Education and Compensation, Insurance and Travel of Directors should not exceed the \$7,500 annual limit.

XI. REVIEW OF CEO ACTION LIST

CEO Dreyspring reviewed follow up action items for the CEO from this Board meeting and took questions.

XII. FUTURE AGENDA ITEMS AND COMMITTEE SCHEDULES

President Lynch advised that the current list of Unscheduled Future Agenda Items will be disregarded, and introduced an agenda building form on which Directors list discussion items and rank them according to priority and support. President Lynch will use the completed form as a living document to determine the will of the Board for future agenda item discussion.

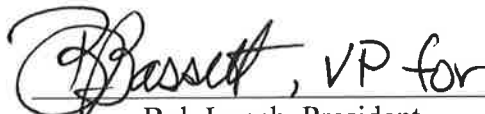
XIII. EXECUTIVE SESSION

Motion: Director Huntington moved to enter into executive session to discuss the 4CORE Report and Consultant. Motion seconded and carried without dissent.

The Board of Directors remained in Executive Session from 5:43 p.m. to 6:29 p.m.

There being no further business, the LPEA Board of Directors meeting adjourned at 6:30 p.m.

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


Bob Lynch, VP for
Bob Lynch, President


Dan Huntington, Secretary