

LA PLATA ELECTRIC ASSOCIATION, INC.
Board of Directors' Minutes of Meeting
Wednesday, August 15, 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, August 15, 2018 at the headquarters building in Durango, Colorado. President Lynch called the meeting to order at 9:01 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 and Member Relations
Dan Harms, Manager of Rates and Technology
Justin Talbot, Manager of Operations
Jerry Wills, District Manager, Pagosa Springs
C. E. Charistopoulos, Executive Assistant
Shay Denning, LPEA General Counsel

EXCUSED ABSENCE: None.

GUESTS (from sign in sheet): The following guests were present: Betsy Romere, Kirby MacLaurin, Richard Fultner, Jeff Bork, Susan Atkinson, Lissa Ray, Debbie Kent, Sarah Ferrell, Karen Pontius, J.T. Mannix, Tom Compton, Werner Heiber, Brett Wells, Karen Barger.

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

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

I. APPROVAL OF AGENDA

President Lynch addressed the August 15, 2018 Board meeting agenda. Director Montoya requested to discuss discriminatory rates and Director Conflicts of Interest prior to the Rate Topic Discussion by Dan Harms.

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

II. MEMBER COMMENTS AND CONCERNS

Members expressed concern about the 3-part rate structure proposed by Dan Harms at the August 13 Committee of the Whole meeting, stating that the matter needs further study on the impact to all members, and the proposed 3-part rate disincentivizes batteries, EVs, and rooftop solar projects. Concern was expressed that the use of the word “subsidies” in conjunction with compensating net meter customers is divisive, and that “cost-sharing” is a cooperative principle. A member encouraged the Board to use the LPEA Mission and Vision Statements to guide decision making. Harms advised that the Rate Design presentation and discussions are for study purposes only between now and January 2019, and a rate change would not go into effect until January of 2020.

Concern was expressed that it is unfair to require a non-net metering member to compensate a net-metering member for the excess generation they voluntarily produce, that renewables should be done responsibly, a complete withdraw from Tri-State would subject members to uncontrollable energy prices on the open market, and providing jobs to the solar industry should not be a renewable energy goal, but an added benefit of the pursuit of responsible renewable energy.

Director Unger shared a member statement brought to him about a solar permit denial in Trappers Crossing subdivision, and Director Montoya shared a member request to know the next steps on Board meeting recordings. Ron Meier shared a sample of the video stream taken from the Committee of the Whole meeting and advised that an additional microphone will be added and reported that an access link could be made available through social media and the LPEA website.

III. CONSENT BOARD ITEMS.

President Lynch addressed the Consent Board Items. Several modifications were noted and made to the July 16 Committee of the Whole and the July 18 Board meeting minutes.

Motion: Director Lyon moved to approve the Consent Board Items: capital credit payments to estates, monthly write-offs, minutes for the July 16 Committee of the Whole meeting and the July 18 Board meeting with approved corrections. Motion seconded and carried without dissent.

IV. CEO AND STAFF REPORTS

Justin Talbot reported no incidents or accidents for July, gave an update on the RESAP inspection status, discussed attending the CREA Safety Lab with District Manager, Jerry Wills,

noted that the Safety Committee is being restructured, and took questions on the Trimble outage. Jerry Wills highlighted items from the June Safety meeting, reported that the Town of Pagosa has concerns about the brightness of the new LED street lights, crews are busy with projects, and a lineman sustained an eye injury while working in tall grass.

CEO Dreyspring advised that the Federal Legislation Report has been updated, discussed LPEA's Class C membership with Basin Cooperative through Tri-State, and took feedback on ideas and discussion points for the Tri-State Policy 115 Committee meeting items proposed in a document by Dan Harms. Discussion ensued on the items of greatest concern to LPEA – the single meter concept, one-size fits all rate tables, and the excess net metering charge; as well as, legal options and making use of Tri-State Policy 118. With respect to the Basin Cooperative membership, CFO Svanes will prepare a report for the Board regarding the membership and a cost benefit analysis for keeping the membership active.

CFO Svanes highlighted the new LPEA Director orientation at Tri-State in which the Directors also met with the representatives from CFC and Western United Electric Cooperative, noted department training with NRECA, and discussed member equity retirement options. There was consensus among the Board to continue with the 75% FIFO and 25% weighted average retirement method, and Svanes will return to the Board in October with a formal resolution to retire member Equity on a 75% / 25% percentage basis (see attached presentation).

Nadine Ontiveros addressed the written report in the Board packet and took questions. Ron Meier reported an increase in calls to Customer Service with students returning to school, 17 grant requests were received for Unclaimed Capital Credit funds, LPEA now is registered as a Transmission Operator with NERC, and the mobile substation RFP will be available for Board review in October. Meier discussed the solar permitting concern with the Trappers Crossing subdivision member, advising that LPEA's grid hosting capacity is maxed out in that area and heat maps showing areas of hosting capacity in the LPEA service territory are being investigated.

CONFLICT OF INTEREST REVIEW – Prior to Dan Harms update on Qualified Facilities, Attorney Denning discussed Director Conflict of Interest and reviewed the statutory and policy requirements related to reporting and acting on conflicts of interest. Denning highlighted the importance of identifying potential conflicts of interest.

Referring to completing the Potential Conflicted Interest Transaction Form, Attorney Denning led the Directors in evaluating conflicts of interest for: (1) Director Huntington as it relates to his hydroelectric generator (No conflict; 9/1, with McInnis voting that there was a conflict, and Huntington and Unger abstaining); (2) Director Unger for his rooftop solar installation (No conflict; 8/2, with McInnis and Montoya voting that there was a conflict, and Huntington and Unger abstaining); and (3) Director Bassett for his prior ownership interest in CalCom Energy (No conflict; 6/5, with Huntington, Montoya, Alley, Lyon and McInnis voting that there was a conflict, and Bassett abstaining). Based on the votes on each potential conflict, it was determined that a conflict does not exist for any of these Directors.

Dan Harms addressed the written Staff report in the Board packet, discussed a grant for a new Level 2 charging station in Pagosa Springs and advised that the QF Update will take place in

executive session. Harms touched on the Committee of the Whole Rate Topic presentation on Residential Rate Design, noting the disadvantage to Directors not versed in the 2015 Cost of Service Study. Harms' intent is to educate Directors on the background of LPEA's rate design as reflected in Policy 214 Exhibit A, LPEA Rate Design Strategic Planning Goals as approved by the Board on August 14, 2016 and provide context for a proposed 3-part rate. Harms will present modifications to Policy 214 based on Board feedback, and stressed that communication to members for the January 2020 rate change will need to begin in January 2019.

Harms' current rate strategy is to eliminate the 2-part rate strategy of the Standard Residential Rate, allow the Time of Use rate to become the default rate, and replace the Residential Demand rate with the proposed 3-part rate which factors in a fixed Demand charge. Harms was directed to present AMI data to model how the proposed 3-part will impact customers in a variety of scenarios for discussion in September.

V. ITEMS REQUIRING BOARD ACTION

REVIEW AND APPROVE OPERATING FORECAST ASSUMPTIONS – CFO Svanes reviewed the process for the Budget Forecast approval which is finalized in November, and discussed assumptions based on adjustments in Revenue, Cost of Power, Inflation, Staffing and Succession Planning, Regulatory Assets, Depreciation and Amortization, Interest on Long Term Debt, Capital Credits, and Covenant Ratios.

Motion: Director Bassett moved to accept the 2019 Operating Forecast Assumptions. Motion seconded and carried without dissent.

APPROVAL OF NET METERING TARIFF – Dan Harms reviewed modifications to the Net Metering Tariff made during the July 18, 2018 Board meeting and took questions. Discussion ensued on demand charges, the 150% generation limit on net metering, the impact of EVs on demand, and defining avoided cost. Ron Meier will reach out to a member in Trappers Crossing referenced by a Director who has concerns about being denied a permit for interconnection.

Motion: Director Bassett moved to table discussion on the revised Net Metering Tariff until the avoided cost is confirmed. Motion seconded and carried 11 to 1 with Director Montoya opposed.

APPOINT VOTING DELEGATE/ALTERNATE TO NRECA REGION VII, FEDERATED, CFC, NISC, and NRTC– President Lynch entertained appointments to represent LPEA at the NRECA Regional meeting, and the Federated, CFC, NISC, and NRTC Annual Meetings. The Basin Electric Cooperative delegate and alternate appointment will occur on the September agenda.

Motion: Director Wheeler moved to appoint Director Lynch as the Delegate and Director Turner as the Alternate to represent LPEA at the NRECA Regional meeting, and the Federated, CFC, NISC, and NRTC Annual Meetings. Motion seconded and carried without dissent.

REVIEW ATTORNEY ENGAGEMENT LETTER – Attorney Denning addressed the draft Attorney Engagement Letter in the Board packet. The final Engagement Letter will be included in the September Board packet and addressed after the Attorney Evaluation at the September Board meeting.

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

LPEA Mileage Reimbursements

Mike Alley	\$130.80	Kohler McInnis	\$18.53
Britt Bassett	\$00.00	Davin Montoya	\$38.15
Dan Huntington	\$52.32	Kirsten Skeeahan	\$156.96
Rachel Landis	\$4.91	Jack Turner	\$29.43
Bob Lynch	\$130.80	Guinn Unger	\$56.68
Doug Lyon	\$1.09	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	\$00.00	Guinn Unger	\$1400.00
Doug Lyon	\$1400.00	Tim Wheeler	\$1400.00

Other External Meetings

Mike Alley	\$00.00	Kohler McInnis	\$00.00
Britt Bassett	\$00.00	Davin Montoya	\$00.00
Dan Huntington	\$00.00	Kirsten Skeeahan	\$00.00
Rachel Landis	\$1935.61	Jack Turner	\$125.00
Bob Lynch	\$00.00	Guinn Unger	\$00.00
Doug Lyon	\$00.00	Tim Wheeler	\$433.62

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

VI. ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION

WASHINGTON D.C. YOUTH TOUR AND LEADERSHIP CAMP PRESENTATIONS –

Lonnie Tucker introduced Youth Tour Delegates, Alma Wolf of Animas High School, Kiana Valdez of Ignacio High School, and Anthony Swenk of Bayfield High School who gave highlights of the tour, shared meaningful takeaways, and thanked LPEA for the opportunity to attend and represent the cooperative.

STRATEGIC PLAN UPDATE – Director Landis reviewed the Strategic Initiatives as agreed upon at the August 13, Committee of the Whole meeting, and discussion ensued on the items of

Power Supply and Delivery, Member Engagement, Leadership and Organizational Development, and Utility of the Future. There was consensus among the Board to include Local Economic Development and Operational Excellence in the Strategic Initiatives.

Motion: Director Unger moved to accept the expanded Strategic Initiatives as discussed. Motion seconded and carried.

CONSIDERATION OF ACTION ITEMS FOR POWER SUPPLY STRATEGIC INITIATIVE INCLUDING POSSIBLE COMMITTEE AND WORK ASSIGNMENTS – President Lynch discussed the need for movement through the philosophical differences among Directors regarding the Strategic Initiative of Power Supply and the benefit of forming a committee to directly address issues related to the Tri-State contract and an alternative power supply in order to move the Board forward in a process of decision making.

Motion: Director Basset presented a prepared motion: *The LPEA Board of Directors shall create a Power Supply Committee that will work closely with assigned LPEA Staff to complete an investigation into wholesale power market prospects and our Wholesale Electric Service Contract (WESC).* Motion seconded.

Bassett further read from the prepared statement –

Membership of the Committee: The membership of the Committee shall be made up of the Board Vice President and no more than two other Directors as appointed by the Board President; and one or two Staff members appointed to the Committee by the LPEA CEO.

Delegation of Authority: The Committee shall be authorized to direct the spending of funds that have been allocated in the 2018 Budget for studying the WESC.

Lifetime of the Committee: The Committee shall be expected to complete its work by the end of March 2019. If further time or funds are needed, the committee must seek approval from the full LPEA Board of Directors during a regularly scheduled meeting.

Scope of Work: 5.1 Wholesale Power Supply Analysis – The Committee will be expected to utilize outside expertise as needed to analyze the wholesale power market including at least these considerations: delivery points, cost of power at these delivery points, transmission costs to deliver power to LPEA from the delivery point, reliability of delivered power, ancillary services and costs.

Scope of Work: 5.2 Valuation of Existing WESC – The Committee will be expected to utilize outside expertise as needed to determine the financial bounds for the value of our WESC.

Discussion ensued. CEO Dreyspring advised that \$75,000 was set aside in the 2018 Budget for an RFP process to value the Tri-State contract. Concern was voiced that it is the purview of the Staff to value the contract and the findings of the Long-Term Strategies Committee (LTSC) were biased in favor of a buyout from Tri-State. Comments were made in support of the LTSC

findings and in favor of the fiduciary responsibility of the Board of Directors to investigate power supply options and use of independent consultants to provide clarity and credibility to the process. Discussion ensued on the roles and responsibilities of Staff and Directors, and building trust through exploring a path forward with facts and data.

CEO Dreyspring addressed requirements of LPEA Policy 110 Committees of the Board of Directors. Attorney Denning advised that the motion to appoint the Power Supply Committee should include approval of the Statement of Functions as presented by Director Bassett. President Lynch advised that Staff members of the Power Supply Committee would have equal voting status with Directors, and that an email would be sent out confirming Committee appointments.

Motion Resumed: The motion to approve the formation Power Supply Committee resumed with the inclusion of approval for the Statement of Functions as presented by Director Bassett. Motion to approve the Power Supply Committee and Statement of Functions as presented carried 11 to 1, with Director Montoya opposed.

POLICY 107 CAMPAIGN FINANCE – President Lynch advised that due to time constraints all policy discussions will be postponed to September 19, 2018.

REVIEW POLICY 117 DISCLOSURE OF COOPERATIVE INFORMATION RENUMBERED AS POLICY 108 – President Lynch advised that due to time constraints all policy discussions will be postponed to September 19, 2018.

POLICY 127 DIRECTOR ELECTIONS AND ANNUAL MEETING VOTING PROCEDURES: ESC RECOMMENDED CHANGES, RENUMBERED AS POLICY 105 - President Lynch advised that due to time constraints all policy discussions will be postponed to September 19, 2018.

VII. ATTORNEY REPORT

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

POLICY REVIEW FOR VOTE RECORDING – Attorney Denning advised that State statute does not have a policy on vote recording, touched on guidelines set forth in Robert’s Rules of Order, and discussed options and recommendations for the Board of Directors to establish its own standard for vote recording on a consistent basis. There was consensus among the Board to continue with current practice of recording abstentions and dissenting votes only.

IX. DIRECTOR REPORTS AND OTHER BOARD ACTIONS

ROUND UP REPORT – Director Alley reported Round Up grants to Merely Players (\$2000), Rise Above Violence (\$1995), Pine Tree Youth Circle (\$1000); and education grants to Bayfield

Early Education Programs (\$2500), Chimney Rock Interpretive Association (\$1116), FLC Writing Center (\$1800). Special Project Grant Requests will be considered for approval by the LPEA Board in September.

TRI-STATE REPORT – Director Skeehan touched on departmental Budget presentations, advised that no rate changes are expected, and reported on a peak load in July that was 4% above the previous year mark with overall power costs remaining flat. The DMEA request for information complaint against Tri-State under Policy 316 was voted down by the Tri-State Board following a Director request that written votes be cast instead of a roll call vote which was also denied. The Tri-State Policy 115 Member Distributed Generation Policy pricing tables are scheduled to change, prompting more member project requests.

Skeehan addressed the preliminary Tri-State Member survey results. Discussion ensued on points of greatest similarity and difference, and the final report will be presented in September. The Tri-State Relationship Paper will be discussed in executive session.

FASTTRACK COMMUNICATIONS REPORT – Director Wheeler advised that he has been appointed to the Board of Directors by the FTC Board and reported that they are doing well and contemplating various business opportunities. CEO Dreyspring noted that LPEA is working with FTC to bring a 1 GB fiber connection to Pagosa Springs, with LPEA as the hub.

CREA REPORT – Director Turner reported that on August 31 CREA will allow LPEA to present for 15 minutes the effects and aftermath of the 416 fire, and the Board is pursuing the removal of election ballot sleeves to mirror state election ballots which no longer utilize privacy sleeves.

WESTERN UNITED REPORT – Director McInnis reported that CEO Mike Prom is retiring, and the successor will be announced in 2 weeks. Prom will meet with the LPEA Board in November.

4CORE REPORT – Director Landis advised that there was nothing to report at this time.

X. UPCOMING EXTERNAL MEETINGS

TRAVEL REQUESTS – President Lynch addressed the Upcoming External Meeting list. Directors Lynch and Montoya requested to attend the CREA Innovation Summit, October 27-30 in Denver. Director Wheeler confirmed that he will not attend the event.

Motion: Director McInnis moved to approve all Director travel requests. Motion seconded and carried.

XI. REVIEW OF CEO ACTION LIST

CEO Dreyspring reviewed follow up action items for the CEO from this Board meeting and took questions. Director Wheeler advised that concerns about the definition of the avoided cost in the net metering tariff motion that passed in the July Board meeting had been satisfied.

XII. FUTURE AGENDA ITEMS AND COMMITTEE SCHEDULES

President Lynch addressed the online document to capture future agenda item requests and encouraged Directors to participate.

XIII. EXECUTIVE SESSION

Motion: Director Turner moved to enter into executive session to discuss Legal Opinion on QF Question and Analysis of Wholesale Power Contract and Options (Director Skeehan recused); followed by an Attorney and Board only discussion of the CEO Evaluation and Attorney Evaluation. Motion seconded and carried without dissent.

The Board of Directors entered into Executive Session at 5:16 p.m.

Motion: Director Lyon moved to continue CEO Dreyspring's contract for one year with a salary adjustment equal to the average increase of the executive staff. Motion seconded.

Discussion ensued.

Motion: Director Bassett moved to amend the motion to extend CEO Dreyspring's
To Amend: contract for one year only with a salary adjustment equal to ½ of the average increase of the executive staff. Motion to amend seconded.

Discussion ensued. Director Bassett withdrew the portion of his amendment regarding the salary adjustment.

Motion to amend failed 2 to 10 with Directors Alley, Skeehan, Lyon, Huntington, Landis, McInnis, Lynch, Turner, Wheeler, and Montoya opposed.

Motion Resumed: The motion to extend CEO Dreyspring's contract resumed. Motion carried 9 to 3 with Directors Bassett, Unger, and Wheeler opposed.

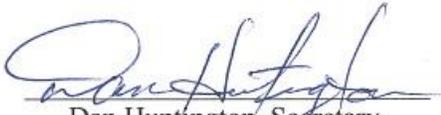
Director Alley left the meeting following the vote.

Motion: Director Lyon moved to enter into executive session to resume discussion of the CEO Evaluation and review the evaluation with CEO Dreyspring. Motion seconded and carried without dissent.

The Board of Directors remained in Executive Session from 7:38 p.m. to 7:43 p.m. There being no further business, the LPEA Board of Directors meeting adjourned at 7:48 p.m.

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



Bob Lynch, President

Dan Huntington, Secretary