

LA PLATA ELECTRIC ASSOCIATION, INC.
Board of Directors' Minutes of Meeting
Wednesday, November 20, 2019
Durango, Colorado

CALL TO ORDER

The regular monthly meeting of the Board of Directors of La Plata Electric Association, Inc. was held Wednesday, November 20, 2019 at the headquarters building in Durango, Colorado. President Lynch called the meeting to order at 9:00 a.m., with the following Directors present:

Britt Bassett, Vice President	Bob Lynch, President	Kirsten Skeeahan
Dan Huntington	Kohler McInnis	Jack Turner
Rachel Landis	Holly Metzler	Guinn Unger, Secretary
Joe Lewandowski	Davin Montoya	Tim Wheeler, Treasurer

LPEA STAFF:

Jessica Matlock Chief Executive Officer
Monica Rodriguez, Assistant Controller
Jennifer Colomb, Billing Supervisor
Justin Talbot, Manager of Operations
Dan Harms, Manager of Rates, Technology and Energy Policy
Ron Meier, Manager of Engineering, Member Relations
Nadine Ontiveros, Manager of HR
C. E. Charistopoulos, Executive Assistant
Lonnie Tucker, Communications Coordinator
Jeannie Bennett, Public Relations Coordinator
Shay Denning, LPEA General Counsel

EXCUSED ABSENCE: Jerry Wills, Pagosa Springs District Manager.

GUESTS The following guests were present: Tom Compton, Dave Peters, Karen Pontius, Kirby MacLaurin, Katie Pellicore, Gail Harriss, Ted Compton, Joe Wheeling.

APPROVAL OF AGENDA

President Lynch addressed the November 20, 2019 Board meeting agenda.

Motion: Director Landis moved to approve the November 20, 2019 Board meeting agenda as presented. Motion seconded and carried without dissent.

MEMBER COMMENTS

Members expressed appreciation to the Board for working to pursue clean, affordable power, keeping options open for the members, and obtaining a buyout number from Tri-State; as well as, concerns about the amount of money spent on pursuing the buyout issue, solar subsidies, and the upward rate trends brought on by renewables.

In response to a member question, Attorney Denning discussed the process set forth by Colorado State Statute for members to vote to return an exempt cooperative electric association to full regulation by the Colorado Public Utilities Commission.

In response to a member question about the status of a partial buyout from Tri-State, President Lynch advised that the Tri-State Contract Committee is considering three proposals on how a partial requirements contract could work, and is expected to finalize a decision by the end of the first quarter of 2020.

CONSENT BOARD ITEMS.

President Lynch addressed the Consent Board Items. Directors noted corrections to the minutes of the October 14 Committee of the Whole meeting, the October 16 Board of Directors meeting, and the November 5 Special Meeting.

Motion: Director McInnis moved to approve the Consent Board Items: capital credit payments to estates, monthly write-offs, and minutes for the October 14 Committee of the Whole Meeting, October 16 Board of Directors Meeting, and the November 5 Special Meeting with approved modifications. Motion seconded, and carried without dissent.

The Board congratulated Kohler McInnis for receiving the NRECA Board Leadership Credentials; as well as, Holly Metzler and Dan Huntington for achieving the level of NRECA Credentialed Coop Director.

CEO AND STAFF REPORTS

CEO Matlock gave an update on meetings with the La Plata County Commissioners, Southern Ute Growth Fund, and Tribal Council. Matlock discussed restructuring taking place in the Safety Program and continuous improvements to the Staff Dashboard reports which will be formally launched in January 2020.

Matlock introduced Engineering Clerk, Jackie Doyle who spearheaded an effort by the IBEW-LPEA partnership to donate money and surplus office supplies to area schools and nonprofits; as well as, Mechanic I, Jeremy Gurule and Dispatcher, Rachel Killinen who spoke about the IBEW-led Food Drive and Fill the Bucket Challenge that delivered 3,500 lbs. of food in Durango and 1,760 lbs. of food in Pagosa Springs.

Lonnie Tucker gave a press update, and Ron Meier took questions on the member phone survey and communications engagement strategy.

DISCUSSION OF COMMUNITY SOLAR PROJECT – Dan Harms reported that thanks to the Tri-State Contract Committee, the Tri-State Board unanimously approved a measure to draft a policy that will allow each Tri-State member cooperative to install additional Distributed Generation Resources up to 2 MW or 2%, whichever is less. This could be a method to establish more headway for the expansion of local renewable offerings within the individual cooperative’s service territory. To qualify, projects will need to be structured as cooperative owned and controlled, subscription based, community solar projects. As such, it is a net metered facility outside of Tri-State *Policy 115 Member System Distributed Generation*.

The benefits include a greater sense of member ownership, increased buying power, and a layer of additional revenue generated by the low-cost subscriptions. Discussion ensued on balancing costs, pricing economics, tax credits, and clarifying the transmission aspects for this new policy; as well as, considerations for possible changes in LPEA’s contract with Tri-State.

CEO Matlock advised that, if LPEA decided to pursue this option, LPEA would issue an RFP (request for proposal) to solar installers, and possibly locate small systems that are priced to pay for themselves in constrained areas to ensure reliability and resilience in the grid. Matlock discussed her experience with payback methodologies noting that as a subscriber, *you are paying a little bit of a premium because you are paying for what you believe in*. Staff will provide input on the development of the new policy and keep the Board apprised of developments.

DISCUSSION OF ELECTRIC VEHICLE RATES – Dan Harms discussed the distinctions between Level I (110 Volt slow charging speed), Level II (220 Volt medium charging speed), and Level III (Fast DC charging) electric vehicle (EV) charging options, and how changing loads factor into determining rates for public EV charging stations.

Harms proposed that the best approach for a Level II charging sites may be LPEA’s miscellaneous fee schedule in the Rules and Regulations with on and off peak usage calculations based on time increments, flat rate sessions, or kWh. A nominal fee would cover LPEA’s incremental costs in exchange for behavior data that is critical to the development of future programs based on member needs. Currently, the cost to LPEA of an average charging session is \$0.85.

Harms advised that Level III charging sites are more challenging to implement due to high load requirements, expensive equipment, and the barrier of traditional retail demand rates. Harms discussed calculations comparing a Standard Demand rate to Energy Only, Non-Demand, and Time of Use rates. There are a lot of moving parts but the most feasible option might be a coincident peak rate. Though complicated for customers, the equipment is able to throttle back the flow of on-peak kWh (increasing the charging time) and limit exposure to a higher rate window, which would benefit both LPEA and the member, and was an attractive rate option for the member that is currently considering an installation project.

ITEMS REQUIRING BOARD ACTION

REVIEW 2020 BUDGET – Monica Rodriguez reviewed LPEA’s stated Values and Strategic Objectives and Goals that drive development of the 2020 Budget. Rodriguez gave a high-level overview of the 2020 Forecast which focused on trends in decreased kWh Sales, increased Operating Expenses, a reduction in Capital Credits from Tri-State, and \$10 million in borrowing. Rodriguez framed the Budgeting process in the context of moving forward with Departmental Budgets, improvements in accountability and reporting processes, increased safety and reliability of the grid, and advanced planning for the Utility of the Future.

Rodriguez explained that Operating Margins (Operating Margins exclude Patronage Capital from Tri-State & other Coops) are projected to be negative and that margins can be increased with either an increase in revenue with a rate or sales increase or by decreasing expenses. LPEA has not experienced a rate increase, that effected margins, since 2016 and our expenses are running lean compared to other coops in the State of Colorado and in our Supplier Group (Tri-State Members).

Rodriguez discussed different Key Ratio Trend Analysis (KRTA) benchmarks that can be used to help guide revenue requirements and target margins. The different KRTA’s that were discussed were Modified Debt Service Coverage (MDSC), Operating Times Interest Earned Ratio (OTIER), and Times Interest Earned Ratio (TIER). Discussion ensued over what different revenue increases would do to the Margin as well as the different KRTA’s. Rodriguez outlined the next steps and realistic timeline if a revenue increase was the direction the Board intended.

Discussion ensued on the amount of information Directors need and desire to comprehend the Budget process and make decisions; as well as, the need for a CEO Roadmap that provides directional clarity and procedural understanding about the path forward.

Finance and Audit Committee Chairman, Tim Wheeler advised that the 2020 Budget could be approved in December, and that the Committee recently voted to approve the 2020 Forecast for recommendation to the full Board. Wheeler encouraged Directors to attend Finance and Audit Committee meetings and bring desired measurables to the Committee for processing with the CEO and CFO in their efforts to build a five to ten year outlook.

Board and Staff will determine metrics and set a Revenue Increase Goal, determine how the increase will be allocated among rate classes, and whether the components of the increase will occur in the Base, Demand or Energy charge. A realistic timeline puts a rate increase in effect on April 1, 2020.

Motion: Director Bassett moved to approve the 2020 Forecast as presented, with a one year reduction of \$3,500 to the \$7,500 individual Director’s Training and Travel Budget, and a 50% reduction in 2020 Board meeting expenses. Motion seconded.

Motion to Amend: Director Wheeler moved to amend the motion to include the condition that the Board approve a Revenue increase to provide for at least a break-even net Operating Margin for 2020. Motion seconded and failed 2 to 9 with Directors

Landis, Metzler, Skeehan, Montoya, Unger, Turner, Lynch, McInnis, and Huntington opposed; and Director Bassett abstaining.

Motion

Resumed: Motion carried 7 to 5 with Directors Montoya, McInnis, Turner, Huntington, and Wheeler opposed.

Discussion ensued on approving a 2020 Forecast that is in the deficit, versus approving Revenue Requirements that do not result in negative Net Operating Margins.

Motion: Director Skeehan moved to approve an increase in Revenue that will result in at least a breakeven Operating Margin for 2020. Motion seconded and carried 6 to 4 with Directors Montoya, McInnis, Huntington, and Turner opposed; and Directors Metzler and Landis abstaining.

RESOLUTION 2019-13 – CFC ePAY – Jennifer Colomb presented a resolution by National Rural Utilities Cooperative Finance Corporation (CFC) to approve payment and signature authorizations for LPEA.

Motion: Director Huntington moved to approve Resolution 2019-13 CFC ePay as presented. Motion seconded and carried without dissent.

Motion: Director Unger moved that the CEO is limited with respect to Resolution 2019-13 CFC ePay to naming only persons in the position of Billing Supervisor, Controller, Assistant Controller, and CFO. Motion seconded and carried without dissent.

RESOLUTION 2019-14 FIRST SOUTHWEST BANK AUTHORIZATION – Jennifer Colomb presented a resolution to approve signature authorizations for First Southwest Bank.

Motion: Director McInnis moved to approve Resolution 2019-14 First Southwest Bank Authorization. Motion seconded and carried without dissent.

SELECT AREA OF EMPHASIS FOR AUDIT – Monica Rodriguez discussed the Staff recommendation that capitalized labor be considered as the area of emphasis in conjunction with the annual audit in order to ascertain whether the process of expensing versus capitalization of labor is functioning correctly.

Motion: Director Wheeler moved to accept Staff recommendation that capitalized labor be considered as the area of emphasis in conjunction with the annual audit. Motion seconded and carried without dissent.

RESOLUTION 2019-15 INDEPENDENT THIRD PARTY APPOINTMENT, TIFFANY PARKER – Ron Meier presented a resolution to appoint La Plata County Clerk and Recorder, Tiffany Parker to be the independent third party to receive, prepare and secure the return envelopes containing ballots, and to tabulate ballots and report final voting results to the Board of Directors for Board elections scheduled in 2020.

Motion: Director Landis moved to approve Resolution 2019-15 Independent Third Party Appointment, Tiffany Parker. Motion seconded and carried without dissent.

RESOLUTION 2019-16 2020 LPEA BOARD MEETING SCHEDULE – President Lynch addressed a resolution to approve the 2020 LPEA Board meeting schedule.

Motion: Director Turner moved to approve Resolution 2019-16 2020 LPEA Board Meeting Schedule. Motion seconded and carried without dissent.

ROUND UP FOUNDATION DIRECTOR APPOINTMENTS, DISTRICTS 1 AND 4 – Director Metzler discussed the District 1 recommendation of Kristi Smith to replace outgoing Director, Carmen Hubbs.

Motion: Director Turner moved to approve the District 1 recommendation of Kristi Smith to replace outgoing Director, Carmen Hubbs. Motion seconded and carried without dissent.

Director Wheeler discussed the District 4 recommendation of Kristopher Oyler to replace outgoing Director, Jenn Bartlett.

Motion: Director Landis moved to approve the District 4 recommendation of Kristopher Oyler to replace outgoing Director, Jenn Bartlett. Motion seconded and carried without dissent.

DIRECTOR EXPENSE APPROVAL

LPEA Mileage Reimbursements

Britt Bassett	\$00.00	Holly Metzler	\$122.96
Dan Huntington	\$55.68	Davin Montoya	\$40.60
Rachel Landis	\$5.80	Kirsten Skeeahan	\$164.72
Joe Lewandowski	\$00.00	Jack Turner	\$42.34
Bob Lynch	\$139.20	Guinn Unger	\$60.32
Kohler McInnis	\$18.56	Tim Wheeler	\$00.00

LPEA Board Meetings

Britt Bassett	\$1400.00	Holly Metzler	\$1450.00
Dan Huntington	\$1400.00	Davin Montoya	\$1325.00
Rachel Landis	\$1450.00	Kirsten Skeeahan	\$1325.00
Joe Lewandowski	\$1450.00	Jack Turner	\$1325.00
Bob Lynch	\$1325.00	Guinn Unger	\$1400.00
Kohler McInnis	\$1400.00	Tim Wheeler	\$1400.00

Other External Meetings

Britt Bassett	\$00.00	Holly Metzler	\$00.00
Dan Huntington	\$1791.37	Davin Montoya	\$00.00
Rachel Landis	\$823.84	Kirsten Skeeahan	\$00.00
Joe Lewandowski	\$508.00	Jack Turner	\$1518.48

Bob Lynch	(\$733.32)	Guinn Unger	\$2014.68
Kohler McInnis	\$00.00	Tim Wheeler	\$00.00

Motion: Director Turner moved to approve Director expenses as presented. Motion seconded and carried 11 to 1 with Director Montoya opposed.

ITEMS FOR BOARD REVIEW AND POSSIBLE ACTION

DISCUSSION OF COLORADO COUNTRY LIFE – Due to time constraints, this discussion was postponed to the December 18 Board meeting.

BOARD VOTING DISTRICT REVIEW – Ron Meier discussed a bylaw requirement for the annual review of voting districts to ensure the boundaries capture an equal number of members for each district. Discussion ensued on researching roads in Districts 2 and 4 that would provide definitive district boundaries. Meier will research the issue and present findings to the Board at the December meeting.

2019 ANNUAL MEETING: ELECTION SUPERVISORY COMMITTEE

RECOMMENDATIONS – Ron Meier advised that nominations were accepted for the 2019 Annual Meeting Election Supervisory Committee in District 1- Mason Carpenter, District 2 - Sheryl Ayers, District 3 – Marilyn Sandstrom, and District 4 – Elizabeth Romere.

Motion: Director Turner moved to appoint District 1- Mason Carpenter, District 2 - Sheryl Ayers, District 3 – Marilyn Sandstrom, and District 4 – Elizabeth Romere to the 2019 Annual Meeting Election Supervisory Committee. Motion seconded and carried without dissent.

ATTORNEY REPORT

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

COMMITTEE REPORTS: FINANCE AND AUDIT COMMITTEE, POLICY COMMITTEE, AND BROADBAND COMMITTEE

Finance and Audit Committee Chairman Wheeler addressed the written report in the Board packet and took questions. Policy Committee Chairman Unger addressed the mandate of the Committee to review policies for compliance, consistency, usefulness, and updates that will be brought to the full board for consideration. Broadband Committee Co-Chairman Unger advised that the Committee hopes to have a meeting in December.

DIRECTOR REPORTS AND OTHER BOARD ACTIONS

Directors referred to the written reports in the Board packet and took questions.

ROUND UP FOUNDATION (RUF) REPORT – Director Lewandowski reported November RUF grants to Vallecito Community Center for \$2,000, Weaselskin 4H Club for \$1,000, and Friends of the Ignacio Community Library for \$2,000; and Education grants to the Friends of the Ignacio Community Library for \$1,500, La Plata Youth Services for \$3,500, and Wildfire Adaptive Partnerships for \$1,000.

UPCOMING EXTERNAL MEETINGS

TRAVEL REQUESTS - President Lynch addressed the Upcoming External Meeting list. Directors Huntington, McInnis, Turner, Wheeler, and Skeeahan expressed interest in attending the CREA Annual Meeting in February. The Board will approve travel requests in December.

FUTURE AGENDA ITEMS AND COMMITTEE SCHEDULES

President Lynch advised that he would work with CEO Matlock on the December Board meeting agenda.

EXECUTIVE SESSION

Motion: Director Wheeler moved to enter into executive session to discuss the FERC-CoPUC Update and FastTrack Communications. Motion seconded and carried without dissent.

The Board remained in executive session from 3:03 p.m. to 4:31 p.m.

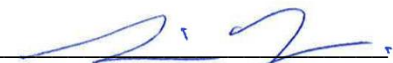
ADJOURN

There being no further business, the LPEA Board of Directors meeting adjourned at 6:10 p.m.

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



Bob Lynch, President



Guinn Unger, Secretary