

**La Plata Electric Association, Inc.**  
**September 2020 Board Meetings**  
**Durango, Colorado**  
**Webinar: <https://www.lpea.coop/board-directors>**

**AGENDA**

**Committee of the Whole, Monday, September 14, 1:00 p.m. – 5:00 p.m.**

- I. Call to Order**
- II. Executive Session**
  - A. District 4 Board Candidate Interviews
- III. Adjourn**

**Regular Board Meeting, Wednesday, September 16, 9:00 a.m. – 5:00 p.m.**

- I. Call to Order and Approval of Agenda**
- II. Member Comments and Concerns**
- III. Consent Board Items**
  - A. Approval of Board Minutes
  - B. Accept New Member List
  - C. Capital Credit Payments to Estates
  - D. Monthly Write-Offs
- IV. CEO and Staff Reports**
  - A. Division Dashboards
  - B. Virtual Town Hall Meeting Update by Hillary Knox
- V. Board Action Agenda**
  - A. Finance and Audit Committee
    - 1. Resolution 2020-13 Capital Credit Retirement
    - 2. 2021 Budget – Statement of Operations and Margin Review
  - B. Policy Committee
    - 1. Policy 129 – Code of Ethics and Conduct
  - C. Broadband Committee
    - 1. Appoint Committee Chair
  - D. Resolution 2020-14 District 2 and 4 Boundaries
  - E. District 4 Director Appointment
  - F. Elect CREA Director Representative
  - G. Director Travel Requests
  - H. Appoint Delegates to NRECA Virtual Region 7 Meeting October 12-16
  - I. Director Expense Approval

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**VI. Attorney Update of FERC and CoPUC Actions (at 3:00 p.m.)**

**VII. Executive Session**

- A. FERC-CoPUC Strategy
- B. Attorney Evaluation

**VIII. Board Actions Resulting from Executive Session**

- A. FERC or CoPUC Actions
- B. Attorney Evaluation

**IX. Reports**

- A. Attorney Report
- B. Director Reports (highlights and questions)
  - 1. Round Up Foundation
  - 2. Tri-State
  - 3. FastTrack Communications
  - 4. CREA
  - 5. Western United

**X. Adjourn**

**La Plata Electric Association, Inc.**  
**Financial Highlights & Commentary**

**August 31, 2020**

**Summary:**

LPEA reported an operating margin of \$408,460 in August 2020, compared to the budgeted amount of \$87,877, a positive variance of \$320,583. Revenues were 2% below budget due to reduced commercial & industrial sales. Residential sales were 10% above budget, whilst commercial sales were 3% below budget and industrial sales were 12% under budget. Compared to August 2019, our gross margins increased by 6%, due to a favorable sales mix (more residential sales) and the effect of the new rate structure.

Controllable costs were \$325k below budgeted levels in August, due to continued prudent cost control and deferral of travel and training costs. Payroll expenses continue to be below budget (\$290k in August) as more LPEA labor was used to work on capital projects and was therefore capitalized. This also saved the co-op from paying for external contractors, which were \$7K under budget for the month. We continue to avoid additional interest costs by refraining from seeking more loan finance, as had been budgeted. While we are being diligent in trying to save on expenses, we are continuing to maintain the LPEA system to ensure that we are able to deliver reliable services. We spent \$71K in tree trimming this month, \$27K in line locates and \$6K on underground equipment. These were all in line with what was budgeted.

Operating margins for the year to date ("YTD") are \$1,210,000, more than \$1m higher than budgeted levels. This is driven by operating costs being \$2m lower than budget, more than making up for our reduced gross margins (sales less cost of power), as well as reduced interest costs as no further debt finance has been added. Travel, training and other discretionary expenses have been virtually eliminated and payroll expenses are \$1.8m under budget, despite us being able to fill four new positions this year.

**Summary Income Statement:**

	YTD Actual	YTD Budget	YTD 2019
Operating Revenue	\$ 69,144,745	\$ 73,380,291	\$ 72,540,301
Cost of Power	\$ 44,844,774	\$ 47,781,347	\$ 47,852,045
Gross Margin	\$ 24,299,971	\$ 25,598,944	\$ 24,688,256
Operating Expenses	\$ 23,089,971	\$ 25,417,630	\$ 23,821,530
Operating Margins	\$ 1,210,000	\$ 181,314	\$ 866,726
kWh Sold	603,011,910	639,263,027	643,899,308

**Key Financial Metrics:**

	YTD Actual	Goal
YTD Op Margin as a %age of Revenue:	1.75%	≥ 1%
Cash Reserves as a %age of operating costs:	14.81%	16-20%
Debt Financing as a %age of Equity:	77.67%	≤ 100%
MDSC:	1.69	≥ 1.35
OTIER:	2.05	1.50-2.00
Equity %age:	50.35	45-50%

**Conclusion:**

LPEA has maintained a healthy balance sheet and cash position. A mild winter and the COVID-19 pandemic have impacted YTD sales, but bottom line margins have been retained through reduced operating expenses and interest costs. Cash reserves are being maintained at a level close to the new financial goal agreed by the board, although we are slightly under our target due to a \$2.5m quarterly debt payment made in July. The entirety of the \$1.94m in PPP funds that were received from the SBA have been used on payroll expenses, and we are now working on the loan forgiveness process. Overdue accounts receivable have grown in comparison to 2019, and are currently \$26k higher compared to this time last year. LPEA's emergency bill assistance program was rolled out on June 1st, with \$50,000 being available to offset these overdue balances. The remaining overdue balances have been transferred to six month payment plans to give members with delinquent accounts time to clear their arrears. Starting in September, LPEA will recommence disconnecting services on accounts that have become delinquent.

Amidst the COVID-19 pandemic, the dedicated team at LPEA is continuing to deliver the essential services on which our members rely while maintaining our mission to provide safe, reliable electricity at the lowest reasonable cost while being environmentally responsible. During this pandemic, we challenged our managers and supervisors to find additional cost savings and to limit the use of contractors and consultants to the very minimum, and they have done an excellent job as noted above. LPEA will continue to operate with extreme fiscal discipline, but it should be noted that our current expense profile cannot be maintained indefinitely, as key improvement projects, employee training and continuous improvement of our service must be priorities.

**La Plata Electric Association, Inc.**  
**Statement of Operations**

	Year To Date					Current Month				
	Aug-20			Aug-19		Aug-20			Aug-19	
	Actual	Forecast	Var	Actual	Var	Actual	Forecast	Var	Actual	Var
<b>Operating Revenue</b>	<b>\$ 69,144,745</b>	<b>\$ 73,380,291</b>	<b>(6%)</b>	<b>\$ 72,540,301</b>	<b>(5%)</b>	<b>\$ 8,781,961</b>	<b>\$ 8,931,611</b>	<b>(2%)</b>	<b>\$ 8,790,063</b>	<b>(0%)</b>
Cost of Purchased Power	44,844,774	47,781,347	(6%)	47,852,045	(6%)	5,600,687	5,694,688	(2%)	5,802,616	(3%)
<b>Gross Margins</b>	<b>\$ 24,299,971</b>	<b>\$ 25,598,944</b>	<b>(5%)</b>	<b>\$ 24,688,256</b>	<b>(2%)</b>	<b>\$ 3,181,274</b>	<b>\$ 3,236,923</b>	<b>(2%)</b>	<b>\$ 2,987,448</b>	<b>6%</b>
Transmission Expense	423,747	725,068	(42%)	620,666	(32%)	52,778	89,371	(41%)	54,527	(3%)
Distribution Expense - Operation	4,712,457	5,458,619	(14%)	5,031,098	(6%)	528,938	676,586	(22%)	682,855	(23%)
Distribution Expense - Maintenance	1,972,903	2,342,424	(16%)	2,164,904	(9%)	259,606	294,170	(12%)	325,483	(20%)
Customer Accounts Expense	917,799	1,227,937	(25%)	1,035,170	(11%)	105,197	129,191	(19%)	131,016	(20%)
Customer Service and Informational Expense	1,650,533	2,078,534	(21%)	1,951,774	(15%)	173,705	254,699	(32%)	256,411	(32%)
Sales Expense	83,505	64,362	30%	73,183	14%	9,761	5,635	73%	7,145	37%
Administrative and General Expense	4,076,472	3,991,737	2%	3,698,251	10%	480,294	488,529	(2%)	478,824	0%
<b>Total Operation &amp; Maintenance Expense</b>	<b>\$ 13,837,416</b>	<b>\$ 15,888,682</b>	<b>(13%)</b>	<b>\$ 14,575,047</b>	<b>(5%)</b>	<b>\$ 1,610,278</b>	<b>\$ 1,938,182</b>	<b>(17%)</b>	<b>\$ 1,936,262</b>	<b>(17%)</b>
Depreciation & Amortization Expense	6,205,290	6,237,113	(1%)	6,155,520	1%	785,223	792,396	(1%)	769,956	2%
Interest on Long-Term Debt	2,995,843	3,188,910	(6%)	3,037,465	(1%)	370,995	404,614	(8%)	387,819	(4%)
Interest Charged to Construction (Credit)	(103,697)	(74,357)	39%	(110,017)	(6%)	(12,591)	(8,306)	52%	(13,012)	(3%)
Interest Expense - Other	19,949	16,336	22%	16,381	22%	2,425	2,042	19%	2,033	19%
Other Deductions	135,170	160,946	(16%)	147,134	(8%)	16,484	20,118	(18%)	22,909	(28%)
<b>Total Other Expense</b>	<b>\$ 9,252,555</b>	<b>\$ 9,528,948</b>	<b>(3%)</b>	<b>\$ 9,246,483</b>	<b>0%</b>	<b>\$ 1,162,536</b>	<b>\$ 1,210,864</b>	<b>(4%)</b>	<b>\$ 1,169,706</b>	<b>(1%)</b>
<b>Operating Margins</b>	<b>\$ 1,210,000</b>	<b>\$ 181,314</b>	<b>567%</b>	<b>\$ 866,726</b>	<b>40%</b>	<b>\$ 408,460</b>	<b>\$ 87,877</b>	<b>365%</b>	<b>\$ (118,520)</b>	<b>(445%)</b>
Non Operating Margins - Interest	109,198	296,000	(63%)	354,360	(69%)	3,978	37,000	(89%)	35,450	(89%)
Income (Loss) from Equity Investments	326,433	348,264	(6%)	437,191	(25%)	60,134	35,696	68%	42,408	42%
Non Operating Margins - Other	32,556	(6,224)	(623%)	30,486	7%	28,663	(778)	(3,784%)	3,011	852%
Generation & Transmission Capital Credits	-	-	0%	-	0%	-	-	0%	-	0%
Other Capital Credits & Patronage Dividends	57,924	410,000	(86%)	487,927	(88%)	-	340,000	(100%)	435,077	(100%)
Extraordinary Items	-	-	0%	-	0%	-	-	0%	-	0%
<b>Total Margins</b>	<b>\$ 1,736,111</b>	<b>\$ 1,229,354</b>	<b>41%</b>	<b>\$ 2,176,690</b>	<b>(20%)</b>	<b>\$ 501,236</b>	<b>\$ 499,795</b>	<b>0%</b>	<b>\$ 397,425</b>	<b>26%</b>

## August Round up committee grants

There were 11 grant applications reviewed in August. 7 Round Up and 4 Educational. Here is what was approved.

### **Four Round Up Grants totaling \$10,500 were approved:**

\$2,500 - Seeds of Learning - Pagosa Springs

\$3,000 - La Plata Youth Services - Durango

\$4,500 - Community Foundation Serving Southwest Colorado - La Plata

County \$ 500 - KDUR Community Radio at Fort Lewis College (FLC) - Durango

### **Three Educational Grants totaling \$10,001.49 were approved:**

\$4001.49 - Pagosa Peak Open School - Pagosa Springs

\$4,000 - PCs for Kids - La Plata County

\$2,000 - Four Corners Rainbow Youth Center - Durango

## External Affairs/Member Relations

The External Affairs/Member Relations Committee met on September 1, 2020. The Committee Meeting as well as the other TS meetings were held in a hybrid model, (some members were physically present and the others attended virtually).

### 1. Safety

- a. There were no Non-Lost Workday or Restricted Workday injuries in August, 2020.

### 2. Committee Elections

- a. Thaine Michie, (Poudre Valley Rural Electric) was re-elected as Chairman. Robert Baca, (Mora-San Miguel Electric Cooperative), was re-elected as Vice-Chairman. The election was overseen by Rick Gordon, TS Chairman/President.

### 3. Environmental and Regulatory Activities

- a. For August 2020, 39 environmental compliance reports were submitted to the Colorado Department of Public Health and Environment (CDPHE), New Mexico Environment Department and the Environmental Protection Agency.
- b. Agency inspections.
  - i. An air quality inspection was conducted at Knutson and Craig with no findings.
  - ii. A water inspection occurred at Colowyo Mine with no findings.

### 4. Legislative Review

#### a. Federal

1. Coronavirus aid
  - a. The House and Senate were on their August break. The next coronavirus aid package has stalled.
2. September-October return to session.
  - a. There will be a session in late September and early October, then a long break leading up to the election.
3. US-S4362
  - a. This bill would bar any utilities that receive federal support in the next round of coronavirus relief funding from shutting off power or water to consumers. Additionally the bill would require providers to reconnect households that have been disconnected during the pandemic and allocate \$1.5b in grants to assist low-income households.
  - b. Introduced July 29, 2020
4. US-S4484
  - a. A bill to amend the IRS Code of 1986 to establish a carbon fee to reduce greenhouse gas emissions. This would set a price on carbon no later than 2023. This bill also provides \$50b in its first year for investments in clean energy projects, establish an

independent federal agency to finance and support investment and job creation in clean energy projects, provides grants to states and local governments for transition assistance from carbon-intensive industries, and provide payments to low and middle income individuals and facilities that capture carbon including farmers that adopt verifiable carbon sequestration or reduction practices.

b. Introduced July 2020

**b. Colorado**

1. No report this month

**Corporate Communications**

c. Report on Board on Corporate Communications activities and Member Relations was provided.

**Regular Board Meeting**

Please see the attached *BOARD REPORT September 2020* and *September 2020 Meetings Highlights*.

**Additional Notes**

I along with 7 other new directors attended the TS Director Orientation.

TS's Escalante Station, (253 MW coal generation plant with 120 employees), located 18 miles west of Grants, NM, used the last of the coal in their stockpile on Monday, August 31, 2020, and permanently went off line.

As part of TS's Beneficial Electrification and Energy Efficiency Program, TS has 5 all electric vehicles they loan out to its members. The members get to use these vehicles for 1 month to promote EVs. The TS members loan them out to their members to get an EV experience. To date 12 TS members, (that have participated so far), have experienced extremely positive feedback and considered the program to be very successful. LPEA picked up one of the EVs last week. In addition, rebates, funding and changes are being considered to improve the program. Some of the other products included in the program are heat pumps, low income weatherization, Energy Star appliances, and fast charger incentives.

Kohler McInnis

**This month's highlights**

- Partial Requirements Contract
- FERC takes exclusive jurisdiction over Tri-State rates and exit charges
- Cost reduction and 2021 budget update
- Loads and resources update
- Consent agenda
- Pandemic response
- Operations & financial performance

**From the Chairman**

This month, we welcomed more board members back into the board room with a hybrid meeting. We had 25 people at headquarters with the rest of the directors, members and staff joining us by phone. We welcomed Lucas Bear from Northwest and Clay Thompson from Carbon to their first Tri-State Board Meeting, and then held an orientation for many of our newer directors. I greatly appreciate their participation.

Our committee chair and vice chair elections were held, with the current chairs and vice chairs being reelected. I appreciate their leadership in these important roles.

I want to thank all of our directors for their support of having a consent agenda. This helps us to expedite our board meeting and give us more time for larger-impact discussions, such our progress on partial requirement contracts and policies related to the implementation of the contracts, and staff's rate reduction efforts.

Staff continues to take a hard look at rate reduction opportunities, and with strong cost management presented a consolidated budget that keeps rates stable into 2021 and for the fifth year in a row. Staff continues to make progress on rate reduction opportunities over the coming years and will provide more information at our October meeting, when we will formally consider the 2021 budget.

As always, please contact me regarding at 719-651-2882 or [rick.gordon@tristategt.org](mailto:rick.gordon@tristategt.org) — Rick

**From the CEO**

At this month's meeting, we spent time discussing the good news that we received from the FERC, which held that it had exclusive jurisdiction over Tri-State's rates and member exit charges, and preempted the Colorado Public Utilities Commission on exit fees. I want to thank our team that has been working diligently on all aspects of FERC regulation, which will ensure that each member has the opportunity to participate in these important regulatory proceedings.

We are moving many initiatives forward at Tri-State in our effort to be the most competitive, cleanest and preferred utility supplier for our members, and we were pleased to present a 2021 budget that keeps rates flat, even as we develop a path for rate reductions in the coming years. We also discussed various pathways to address carbon reduction requirements in Colorado. To support the board's decision making, our staff is providing more in-depth information on discussion and decision items to the board in advance of our meetings, enabling the board to maximize its time, ask questions, engage in discussion and make informed decisions. I believe this will prove an efficient process that we will want to continue.

It has been good to get out of the office and meet with our members, and I hope to continue to receive invitations to talk with each member. I also look forward to our virtual Member CEO Committee meeting, which will be Oct. 13. We are here to serve you, and if we can be of assistance, please contact me any time at 303-254-3535 or [dhighley@tristategt.org](mailto:dhighley@tristategt.org) — Duane



*By the numbers*

**July 2020 operations performance**

- Coal fleet generation availability was 96% and accounted for 46% of total power supply.
- Gas and oil fleet generation was below budget and accounted for 7% of total power supply.
- July renewable generation accounted for 26% of total power supply and 32% of member sales. Renewable generation at Tri-State peak was 248 MW (55% of potential output).
- Other purchased power (unspecified) was 21% of total power supply.
- Member energy sales volumes were 5.6% under budget and non-member energy sales volumes were 6.8% over budget.
- View the [Operations Report](#) on the directors' BoardBooks app and the Member Information Center.

**July 2020 financial performance**

- Member Electric Sales were 5.8%, less than budget as less energy was required compared to budget due to pandemic effects such as reduced commercial operations.
- Operating expenses were below with lower than budgeted production and fuel costs. Scheduled maintenance was postponed, or selectively performed, at various generating facilities due to pandemic impacts.
- View the [Financial Results](#) on the directors' BoardBooks app and Member Information Center.

**July Financial Results**

		July 2020		Year to date		Variance
		Actual	Budget	Actual	Budget	
Sales	Members	124,549	132,164	704,309	736,931	-32,622
	Non-members	9,739	8,435	42,177	39,493	2,684
Other Operating Revenue		4,648	3,352	25,572	24,080	1,492
<b>Total Operating Revenue</b>		<b>\$138,936</b>	<b>\$143,951</b>	<b>\$772,058</b>	<b>\$800,504</b>	<b>(\$28,446)</b>
Purchased Power		40,454	39,464	198,122	206,325	(8,203)
Production & Fuel		35,099	41,690	218,614	250,631	(32,017)
Depreciation & Amortization		15,603	15,169	106,938	105,893	1,045
Coal Mining		472	869	4,292	5,806	(1,514)
Transmission		14,656	14,930	97,843	103,730	(5,887)
G&A		4,093	3,252	36,348	26,497	9,851
Other Operating Revenue		710	761	10,967	5,621	5,346
<b>Total Operating Expenses</b>		<b>\$111,087</b>	<b>\$116,135</b>	<b>\$673,124</b>	<b>\$704,503</b>	<b>(\$31,379)</b>
<b>Operating Margins</b>		<b>27,849</b>	<b>27,816</b>	<b>98,934</b>	<b>96,001</b>	<b>2,933</b>
Other Income		434	841	6,363	8,806	(2,443)
Interest Expense		12,225	12,875	85,523	89,874	(4,351)
Income Tax Expense		78	-	231	(77)	308
Net (Income) Loss		(474)	(474)	(3,214)	(3,214)	-
Attributable to NCI						
<b>Net Margins</b>		<b>\$15,506</b>	<b>\$15,308</b>	<b>\$16,329</b>	<b>\$11,796</b>	<b>\$4,533</b>
<b>Member and non-member sales</b>						
<b>TPP/MCP Demand (MW/Mo.)</b>		2,988	3,188			-6.3%
<b>Energy (GWh)</b>		1,647	1,744			-5.6%
<b>Non-member energy (GWh)</b>		174.9	186.9			6.8

## Board Meeting Update

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### Consent Agenda

To increase the efficient use of the board's time, a consent agenda is being utilized. Through a consent agenda, the board approved a number of board policies and resolutions for: security services at headquarters, Colowyo and Craig Station; industrial cleaning services at the Craig Station; maintenance at Pyramid Generating Station; a Policy 115 Member Project Contract with San Luis Valley Rural Electric Cooperative; funding for Western States Power Corporation (WSPC) share of Bureau of and WAPA-Rocky Mountain Region projects; a transformer purchase; a software maintenance agreement; and the termination of an easement.

### FERC takes exclusive jurisdiction over Tri-State rates and exit charges

Ken Reif provided an update on recent rulings from the Federal Energy Regulatory Commission (FERC). On August 28, FERC held that it has exclusive jurisdiction over Tri-State's rates and member system exit charges. In June, FERC accepted Tri-State's filing of a contract termination payment methodology, developed by the members and approved by the board. FERC reaffirmed that Tri-State's addition of new members was lawful under the Federal Power Act, denying United Power's claims. FERC issued two additional orders: first, that Tri-State's fixed cost equalization adjustment is consistent with federal law and agreed with Tri-State's use of net metering for energy storage projects, rejecting United Power's claims and setting the matters for hearing; and second, FERC dismissed United Power and La Plata Electric Association's rehearing requests on Tri-State's contract termination payment filing.

View Tri-State's [press statement on the FERC orders](#).

### Cost reduction and 2021 budget update

Duane Highley, CEO, discussed the ongoing cost reduction initiative and efforts to engage the membership and employees to identify ways to reduce costs. Pat Bridges, SVP & Chief Financial Officer, reviewed the 2021 Capital Construction and Operating Budgets.

- Highley discussed the ongoing cost reduction initiative and proposed timing for determining and implementing reductions, including:
  - Staff continues to engage with the membership to discuss potential ways to reduce costs and plans to hold a webinar in September to review options and gather input.
  - Highley noted that several of these options will directly impact some of the services Tri-State currently provides members, so it is important for all members to weigh in.
  - He also reported that nearly 100 ideas have been submitted by employees and there will continue to be opportunities for them to make suggestions.
- Bridges provided a summary of the draft 2021 Capital and Operating Budgets. Highlights of the budgets include:
  - For the fourth year in a row, there is no change in the Class A rate.
  - After seven years of being flat, the cost to operate the association (Operating Budget) will decrease to \$1.19 billion.
  - The capital expenditures budget of \$178M reflects a \$12M decrease from 2019, while continuing to ensure system reliability.

- The budget achieves the financial goals established by the Tri-State Board to ensure continued financial strength of the association.
- Bridges' presentation was a preview of the budget the board will be asked to approve at their October meeting, followed by a review of the 2021 long-term financial forecast, and implementation of approved rates beginning in January.

View the [Draft 2021 Capital and Operating Budgets](#) presentation on the directors' BoardBooks app and Member Information Center.

### **Partial Requirements Contract Update**

Ken Reif, Senior Vice President, General Counsel, provided an update on the development of a partial requirements contract template and associated policies. Staff has been working over the last few months to implement the recommendations of the Contract Committee, which the Board approved in April 2020. Tri-State, as part of the Responsible Energy Plan, has been working to provide additional contract flexibility for members.

- In June 2019, the Tri-State Board of Directors made the decision to pursue a transition to a cleaner energy portfolio and increase flexibility for members. The board asked the Contract Committee to develop recommendations on how to achieve this flexibility and the Board approved the committee's recommendations in April 2020.
- Reif provided an update on the implementation process and the progress staff has made since April, including:
  - Developing a new partial requirements contract template and supporting board policies.
  - Filing the buydown methodology with FERC, which will be used to determine the cost to move to a partial requirements contract.
  - Soliciting feedback, including holding a member webinar, from the membership on the proposed contract.
  - Compiling and responding to questions and concerns raised by the membership.
- Reif walked through several of the comments staff has received from members and laid out the remaining implementation objectives and a timeline, including:
  - Continuing to engage with membership to receive feedback on the contract template and board policies and to address concerns and questions.
  - Obtaining Board approval of the contract template and policies.
  - Filing the contract with FERC once approved by the Board.
  - Holding the first open season solicitation.

There will be one more partial requirements webinar in September, prior to the board's consideration in October. The current timeline has the open season beginning in January 2021.

### Loads and resources update

Brad Nebergall, SVP Energy Management, provided a loads and resources update to the board.

- **California energy crisis:** California is experiencing excessive heat, low solar output and high demand, prompting rolling brownouts to capacity shortfalls and reliance on importing resources to meet energy demands, according to regulators. CAISO, California Public Utilities Commission and the California Energy Commission jointly said that renewable energy did not cause the rotating outages.
- **TEP wind project:** Tucson Electric's Oso Grande Wind Project is under construction at a cost of \$422 million. This and two other projects will double TEP's wind and solar with TEP at 13% in 2019 and at 28% upon completion.
- **Pueblo utility election:** Pueblo voters overwhelmingly decided against a ballot measure that would have begun the formation of a municipal utility. Pueblo will maintain their agreement with Black Hills Energy.
- **CO PUC Resource Plan update:** Tri-State filed the Resource Assessment in June with the Colorado PUC and has since received more than 1,000 discovery requests. Tri-State is currently running scenarios, and staff will present the results to the board in November and file with the Colorado PUC by December 1.
- **Third-party revenue:** As a Qualified Renewable Entity (QRE), Tri-State can provide services for monthly renewable energy reporting procedures with WREGIS. Tri-State signed a contract to provide these services to a non-QRE entity, and staff would like to grow this business and provide this service for other non-QRE entities.
- **Renewable project updates:** Tri-State requires developers to forecast hourly output, and assess penalties if accuracy doesn't meet standards with quarterly calculations. Tri-State is recovering penalties from one project that is missing required standards. The 104-megawatt Crossing Trails Wind Project is under construction and is the lowest-cost PPA in Tri-State's portfolio. The Crossing Trails commercial operations date (COD) will likely be delayed a month or two due to COVID-related delays in turbine deliveries.

View the [Loads and Resources](#) presentation on the directors' BoardBooks app and Member Information Center.

### Update on Tri-State's response to COVID-19 pandemic

Barry Ingold, SVP Generation and Tri-State's lead on the response to the pandemic, provided a general update on Tri-State's response to the COVID-19 pandemic and actions being taken to ensure reliability of the system and employee safety. In addition, Brad Nebergall, SVP Energy Markets, and Pat Bridges, SVP & Chief Financial Officer, provided updates on pandemic impacts.

- Tri-State continues to implement its Return to Work plan, which establishes a risk level associated with allowing different numbers of employees currently working from home to return to Tri-State facilities. Tri-State returned to a High risk level in response to increasing spread across the service territory and plans to remain there through most of September.

- Highley met with several members' Boards of Directors in August and indicated his willingness to meet with boards as long as state COVID restrictions can be followed.
- Nebergall provided the June operations report, which showed that decreased sales from lower oil and gas production as a result of the pandemic continues to impact member revenue. In July, member energy sales were 5.6% below budget, but non-member sales volumes were 6.8% above budget.
- Bridges reported June revenue from member sales were \$7.6 million or 5.8% below budget in part due to pandemic effects. Fuel costs were \$3.5 million below budget and production costs were \$3.1 million lower. By carefully controlling costs, net margins for July were slightly above budget and continue to be above budget YTD.

### **External Affairs Committee**

Thaine Michie and Robert Baca were reelected committee chair and vice chair, respectively. The External Affairs Committee brought two issues in front of the board: possible changes to Board Policy 305 regarding board compensation, and changes to Board Policy 308 regarding committees, which was approved.

### **Finance & Audit Committee**

Leo Brekel and Stuart Morgan were reelected committee chair and vice chair, respectively. A consent agenda was proposed and approved at the committee meeting. Additionally, the committee approved staff's recommendation to not complete an Energy Risk Management Program assessment at this time, based on limited changes in business operations from the most recent assessment.

### **Engineering & Operations Committee**

Tim Rabon and Wayne Connell were reelected committee chair and vice chair, respectively. Tim welcomed Joel Gilbert and Willie Bridges to committee. A consent agenda was proposed and approved at the committee meeting.

## ***Meetings and Events***

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### **Tri-State board and committee meetings**

- Tri-State's October Board Meeting will be held Oct. 6 -7 and will follow the same hybrid format with in-person and virtual participants.

### **Tri-State Member system CEO meetings**

- Member System CEO Town Hall call will be Sept. 10 at 11 a.m.
- Virtual Member CEO Committee Meeting will be held on Oct. 13.

# Tri-State Board of Directors

## September 2020 Meeting Highlights



**On September 2, the Board of Directors held a hybrid board meeting, with some board members attending in person and others participating virtually.**

### **Cost Reduction and 2021 Budget Update**

**Duane Highley, CEO, discussed the ongoing cost reduction initiative and efforts to engage the membership and employees to identify ways to reduce costs. Pat Bridges, SVP & Chief Financial Officer, reviewed the 2021 Capital Construction and Operating Budgets.**

- Highley discussed the ongoing cost reduction initiative and proposed timing for determining and implementing reductions, including:
  - Staff continues to engage with the membership to discuss potential ways to reduce costs and plans to hold a webinar in September to review options and gather input.
  - Highley noted that several of these options will directly impact some of the services Tri-State currently provides members, so it is important for all members to weigh in.
  - He also reported that nearly 100 ideas have been submitted by employees and there will continue to be opportunities for them to make suggestions.
- Bridges provided a summary of the draft 2021 Capital and Operating Budgets. Highlights of the budgets include:
  - For the fourth year in a row, there is no change in the Class A rate.
  - After seven years of being flat, the cost to operate the association (Operating Budget) will decrease to \$1.19 billion.
  - The capital expenditures budget of \$178M reflects a \$12M decrease from 2019, while continuing to ensure system reliability.
  - The budget achieves the financial goals established by the Tri-State Board to ensure continued financial strength of the association.
- Bridges' presentation was a preview of the budget the board will be asked to approve at their October meeting.

### **Partial Requirement Contract Update**

**Ken Reif, Senior Vice President, General Counsel, provided an update on the development of a partial requirements contract template and associated policies. Staff has been working over the last few months to implement the recommendations of the Contract Committee, which the Board approved in April 2020. Tri-State, as part of the Responsible Energy Plan, has been working to provide additional contract flexibility for members.**

- In June 2019, the Tri-State Board of Directors made the decision to pursue a transition to a cleaner energy portfolio and increase flexibility for members. The board asked the Contract Committee to develop recommendations on how to achieve this flexibility and the Board approved the committee's recommendations in April 2020.
- Reif provided an update on the implementation process and the progress staff has made since April, including:
  - Developing a new partial requirements contract template and supporting board policies.
  - Filing the buydown methodology with FERC, which will be used to determine the cost to move to a partial requirements contract.
  - Soliciting feedback, including holding a member webinar, from the membership on the proposed contract.
  - Compiling and responding to questions and concerns raised by the membership.
- Reif walked through several of the comments staff has received from members and laid out the remaining implementation objectives and a timeline, including:
  - Continuing to engage with membership to receive feedback on the contract template and board policies and to address concerns and questions.
  - Obtaining Board approval of the contract template and policies.
  - Filing the contract with FERC once approved by the Board.
  - Holding the first open season solicitation.

### **Update on Tri-State's Response to COVID-19 Pandemic**

**Barry Ingold, SVP Generation and Tri-State's lead on the response to the pandemic, provided a general update on Tri-State's response to the COVID-19 pandemic and actions being taken to ensure reliability of the system and employee safety. In addition, Brad Nebergall, SVP Energy Markets, and Pat Bridges, SVP & Chief Financial Officer, provided updates on pandemic impacts.**

- Tri-State continues to implement its Return to Work plan, which establishes a risk level associated with allowing different numbers of employees currently working from home to return to Tri-State facilities. Tri-State returned to a High risk level in response to increasing spread across the service territory and plans to remain there through most of September.
- Highley met with several members' Boards of Directors in August and indicated his willingness to meet with boards as long as state COVID restrictions can be followed.
- Nebergall provided the June operations report, which showed that decreased sales from lower oil and gas production as a result of the pandemic continues to impact member revenue. In July, member energy sales were 5.6% below budget, but non-member sales volumes were 6.8% above budget.
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**COLORADO RURAL ELECTRIC ASSOCIATION  
BOARD OF DIRECTORS MEETING NOTES  
AUGUST 28, 2020**

**Executive Director's Report**

Senior Staff Work Session: CREA's senior staff met on Monday for a work session. Action items from this meeting includes ways to promote CREA, ways to promote the co-ops, and the board and manager's meetings schedule.

CREA Webinar Series: The Wildfire Mitigation webinar was postponed due to the wildfires. The Heat Pump webinar had 81 attendees. The next webinar on Creating an RTO for Colorado will be held September 14 followed by a webinar on How Co-ops will Move Forward from the Pandemic on September 24.

NRECA: The Regional Meetings Week will be held virtually from October 12-16. NRECA's annual meeting will also be virtual. Kent Singer discussed CREA's proposed resolution regarding wildfire mitigation.

Flexible Financing for Rural America Act: Members of the Senate and House of Representatives have introduced the Flexible Financing for Rural America Act of 2020 to reprice electric cooperative loans from the U.S. Department of Agriculture's Rural Utilities Service. This repricing could help co-ops recover from the COVID-19 pandemic.

Colorado PUC: The PUC is asking co-ops for rate information for comparison purposes. The retail rate study shouldn't impact co-ops. CREA filed comments in opposition to the DG interconnection (19R-0654E) reporting requirements requested by the Governor's Energy Office. CREA is monitoring the Performance-based rates docket (19M-0661EG). CREA will file an amicus brief in the Mountain View vs. El Paso County case.

Beneficial Electrification: CREA and Tri-State are the primary utility supporters of the Beneficial Electrification League of Colorado (BELCO). Both CREA and Tri-State have been heavily involved with projects to promote beneficial electrification. CREA sponsored a webinar on August 27 to discuss ground source, air source, and cold climate heat pumps. The Colorado Energy Office released a report on beneficial electrification in Colorado.

Board Schedule: There will not be a September board meeting. CREA will be holding the October 30 board meeting in person at United Power (Frederick office). In conjunction with the December 3 & 4 board meeting, there will be a joint board-manager meeting held at the Grand Hyatt.

**Guest Speaker: Diane Mitsch Bush**

Diane Mitsch Bush discussed her background and the upcoming election for the third congressional district seat. Bush answered questions presented by the board.

## Legislative & Tax Committee

General Assembly: Due to the COVID-19 pandemic, the General Assembly suspended the interim committees; however, the Joint Budget Committee and the Executive Committee continue to meet. Governor Polis has signed over 160 executive orders which included allocations of federal relief funding, Colorado's public health response to COVID-19, as well as eviction and utility shut off moratoriums. Colorado received just over \$3 billion in federal aid through a variety of funding sources relating to COVID-19 response. While revenue is up compared to previous revenue forecasts, the General Assembly will have limited budget flexibility going into the 2021 legislative session.

Colorado Advocates for Rural Electrification: The CARE Committee interviewed 26 candidates and has made 56 endorsements. The CARE website is being updated with the candidates.

Colorado Independent Redistricting Commission: In 2018, Colorado voters passed constitutional Amendments Y and Z to redraw Colorado's congressional and legislative districts. Two politically balanced commission will be formed in early 2021 to redraw Colorado's districts using neutral criteria. CREA is pushing rural folks to apply for a spot on this commission so that it is more balanced and well represented.

SB20-205 Paid Sick Leave: The rulemaking for this bill will begin mid-September. There are concerns that the bill could impact businesses that already offer annual and paid sick leave for employees. There will certainly be costs for many small businesses' member consumers. CREA is continuing to monitor the rule making process.

HB20-1415 Whistleblower Protection Public Health Emergencies: This bill prohibits an employer from discriminating against or taking retaliatory actions against an employee that raises concerns about work conditions if the workplace fails to meet federal, state, or local health and safety guidelines. The rulemaking for this bill will begin mid-September. There are concerns about what qualifies as enhanced PPE.

Wildfire Mitigation and Vegetation Management: CREA has recently published a whitepaper analyzing a variety of policy options to enhance wildfire mitigation and vegetation management in Colorado. CREA is planning to present the paper to the Wildfire Commission at the October meeting.

Air Quality Control Commission: The subcommittee has met twice and is discussing how to meet the HB19-1261 requirements. One rule making consideration is codifying fossil fuel plant closures in the Regional Haze rule making, which will start in mid-November. CREA will be monitoring those proceedings.



CARE Auction: The CARE auction will be virtual this year. The CARE auction will be held between October 17- October 24, 2020. This year, the CARE Committee has asked Colorado's electric co-ops to purchase packages or goods from local business to help them weather the economic uncertainties that many communities are facing. The deadline to commit to donating an item to the auction has been extended to September 15, 2020.

## Education & Communications Committee

CLL Extra: *Colorado Country Life* has added a e-newsletter that is designed to continue to enhance the connection between local co-ops and their consumer-members. *CCL Extra* has started with a small distribution list, but staff will promote the newsletter option in the magazine. The first newsletter was well-received. More than 50% of those receiving the newsletter, clicked on it and there were no requests to unsubscribe from the newsletter's mailing list.

Colorado's Electric Cooperatives Junior Livestock Sale: The co-ops are sponsoring the annual junior livestock sale at the Colorado State Fair on September 1. There will be 100 people at the event center, including students showing their animals, event organizers and representatives of the various buying groups. Colorado's electric cooperatives, as the name sponsor for the event, will have signage at the event center.

CCL Circulation Audit: The magazine is in the middle of a circulation audit, which is required to certify the numbers for the postal permit and for advertising. *CCL* is working with a major auditing firm that understands co-ops and the need to protect members' information. Six co-ops have had subscribers selected for verification through the audit and *CCL* will be in touch with these co-ops for the necessary verification.

Education: CREA has cancelled the September 29 & 30 IT Conference, but in its place will be two webinars. Three grounding classes will be replaced by a webinar.

Directors: For directors, CREA is offering CCD Course 2610 Understanding the Electric Business on September 12 & 13 and board leadership Course 930 Ethics & Governance on either September 9 & 10 or a repeat session will be held September 26 & 27. On September 1 registration will be open to other states so that we can fill the class (limit 30 people).

Youth Programs: In place of the Washington D.C. Youth Tour and the Youth Leadership Camp, CREA offered scholarship opportunities for the kids. Fifteen \$500 scholarships were given to students at 11 cooperatives.

Grants: CREA has received grant money from CFC and NCSC for employee education and the Youth Leadership Camp. A motion passed to approve the transfer of the grants to the Colorado Electric Educational Institute.

## Safety & Loss Control Committee

Colorado Wildfires: The four fires that are currently burning in Colorado have impacted co-op territories. The Pine Gulch Fire is the largest fire in Colorado's history

State Recovery Task Force: The assigned tasks and the priorities of the task force were discussed.

JT&S: The schedule of the safety & loss control team was reviewed.

Close Calls/Near Miss: The number of cases being reported has gone up for the month of August. This is a concern because co-ops need to be sure to stay on top of reporting cases.

Homeland Security Task Force: CREA is on a weekly call with the task force and is staying up-to-date on issues and updates.

High West Energy: High West Energy, headquartered in Wyoming, has about 300 members in Colorado. They have requested assistance with their safety program. Collaborating with this co-op would provide positive benefits to CREA.

Commitment to Zero Contacts: Colorado has a solid safety program. However, Dale Kishbaugh encouraged the co-ops not to let their guards down.

## Budget & Finance Committee

Treasurer Rod Martinez summarized NRECA Employee Benefits Program. The health insurance portion will not have an increase; however, the life insurance portion has a slight increase of \$1,635. The committee recommended the board to accept the changes as proposed.

A motion passed to accept the increase to the life insurance policy.

## Financial Review

Kent Singer summarized the financials. The member co-ops received a credit for half of their third quarter dues. CREA expects to end the year with a strong financial position. A motion passed to accept the financials

Submitted by:  
Chelsea Eichhorn  
Event & Administrative Coordinator

Western United Electric Board of Directors August 28, 2020

The Board of Directors for WUE met at a regularly scheduled meeting on August 28, 2020 to review the audit report, with the annual fish fry segment being cancelled due to COVID restrictions.

Western United continues to navigate the challenges presented by COVID. Though member business is up, outside sales to contractors, mostly oil and gas, is down. July sales were over budget, as was gross margins, though inventory turns are trending down. There is also an extended lead time needed by manufacturers, which necessitates an increase in inventory.

All work related to the Brighton expansion has been completed, and is pending a final drainage inspection. The St. George expansion is underway, with the purchase of the land being complete.

A proposal to payoff the FY2013 Patronage was then made by CEO Mordini. A motion was made to pay out 50% of the member certificates from FY2013 now, and 50% in December. Motion passed.

The Audit Committee Chair then introduced the report by the Audit Committee that had been held the previous day. After review and discussion, a motion was made to accept the Audit report as presented, which passed.

There were several policy changes discussed, which dealt with better defining how meetings could be attended and compensated for online participation, how voting for officers on the Board would be conducted, to modify the six year patronage capital retirement goal, and to fix a typo. After discussion, a motion was made to accept the proposed changes, which passed.

Discussion ensued about the necessity of the Budget and Finance Committee to work on a long term debt strategy, long term investment and long term equity plan. A motion was made and passed to direct the Budget and Finance Committee to work on this.

There was then a discussion on another proposal to tie increases in work load to compensation, cost of living adjustments for the Board and bonuses for outgoing Board President. These proposals may come up for vote at the next meeting.

Finally, officer elections were held. Scott McGill (YVEA) was the uncontested choice for President and Dan Hodgekiss (?) was elected Vice President. Incumbent Jack Johnson (MVEA) was elected as Secretary, and Dan Daly (Sangre De Cristo EA) as Treasurer.

Meeting adjourned.

Respectfully submitted,

Holly Metzler