

La Plata Electric Association, Inc.
October 2020 Board Meetings
Webinar: <https://www.lpea.coop/board-directors>
AGENDA

Committee of the Whole, Monday, October 19, 1:00 p.m. – 5:00 p.m.

- I. Call to Order**
- II. Executive Session - Power Supply Strategy**
 - A. Review status of three areas of focus from Resolution 2019-10 Power Supply Strategy
- III. Adjourn**

Regular Board Meeting, Wednesday, October 21, 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
 - 1. Quarterly Consultant and Contractor Report
 - 2. Quarterly Capital Items Budget Report
 - B. Board Correspondence Proposal
- V. Board Action Agenda**
 - A. Director's Public Posts - Policy 129 Discussion
 - B. Director McWilliams Request to Change CEO Expense Approval Process
 - C. Select Delegate to Tri-State Virtual Membership Meeting (December 8, 2020)
 - D. Consider Selecting Delegate to Basin Electric Virtual Annual Meeting (November 3-5, 2020)
 - E. Finance and Audit Committee
 - 1. 2021 Capital Projects Budget Review
 - 2. 2021 Capital Items Budget Review
 - 3. 2021 Revenue Requirements

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- F. Policy Committee
 - 1. Policy 105 Director Elections and Annual Meeting Procedures
 - 2. Policy 107 Campaign Finance Reporting Requirements
 - 3. Policy 113 Director Recall Petitions
 - 4. Ratify Approval of Policy 304 On-bill Financing
- G. Broadband Committee
- H. Director Travel Requests
- I. Director Expense Approval

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

VII. Executive Session

- A. FERC-CoPUC Strategy

VIII. Board Actions Resulting from Executive Session

- A. FERC or CoPUC Actions

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

September 30, 2020

Summary:

LPEA reported an operating margin of \$415,498 in September 2020, compared to the budgeted amount of loss of \$159,242, a positive variance of \$574,741. Residential sales were 9% above budget, whilst commercial and industrial sales continue to be below budget, 3% below for commercial and 13% below for industrial. Revenues were right about at budgeted levels, but cost of sales was 2% under budget, creating a positive gross margin variance of \$49,524. Compared to September 2019, our gross margins increased by 23%, due to a favorable sales mix (more residential sales) and the effect of the new rate structure.

Controllable costs were \$470k below budgeted levels in September, due to continued prudent cost control, deferral of travel and training costs and reduced meeting expenses. Payroll expenses continue to be below budget (\$311k in Sept) 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 \$18K 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 \$90K in tree trimming this month, \$30K in line locates and \$47K on overhead maintenance. These were all in line with what was budgeted.

Operating margins for the year to date ("YTD") are \$1,625,499, which is \$1.6m higher than budgeted levels. This is driven by operating costs being \$ 2.5m 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	\$ 77,451,731	\$ 81,726,495	\$ 80,591,959
Cost of Power	\$ 50,078,325	\$ 53,103,640	\$ 53,407,991
Gross Margin	\$ 27,373,406	\$ 28,622,855	\$ 27,183,968
Operating Expenses	\$ 25,747,908	\$ 28,600,784	\$ 26,677,319
Operating Margins	\$ 1,625,499	\$ 22,071	\$ 506,649
kWh Sold	671,359,052	710,972,103	715,935,696

Key Financial Metrics:

	YTD Actual	Goal
YTD Op Margin as a %age of Revenue:	2.10%	≥ 1%
Cash Reserves as a %age of operating costs:	17.42%	16-20%
Debt Financing as a %age of Equity:	77.10%	≤ 100%
MDSC:	1.96	≥ 1.35
OTIER:	2.13	1.50-2.00
Equity %age:	50.52	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 significantly over budget due to reduced operating expenses and interest costs. Cash reserves are being maintained at a level that meets the new financial goal agreed by the board. We received \$670k in patronage allocations and \$272k in cash retirements this month from CFC and Western United. 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. Total accounts receivable are currently \$405K lower than in 2019, with overdue balances being slightly lower than 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. In September, LPEA resumed disconnecting services on accounts where payment plans were not being adhered to, but this remains very much a last resort for our customer service team.

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.

Round Up Grant(s)

Habitat for Humanity of Archuleta County, \$3,449.70, Supporting Neighbor Helping Neighbor Home Repair Program

Educational Grant(s)

Durango Arts Center (DAC), \$5,000, Supporting La Escuelita- Multi Cultural Art History, Hands on Visual Art & Junior Docent program

Dancing Spirit Community Arts Center, \$3,672, Supporting After School Art Program

Board Vacancies

New roundup board members for District 1 & District 3 need to be nominated in November to fill the seats for those districts, because their representatives terms are up (Briggen Wrinkle & Melinda Volger).

District 2 will also need to look for a replacement for Ron Dunavant, who resigned from the Round Up board. November nomination for a replacement to complete his term (ends 2021) required.

Re-appointments

In November the re-appointment of Naomi Dobbs and Cara Kropp for another two year term requires LPEA board approval. We are waiting on Jessica Wheeler's decision for District 4. She is also up for re-appointment to another two year term but did not commit at last month's Round Up meeting. District 4 board members may need a nomination if Jessica does not commit.

Inclusion

Shay provided guidance to the Roundup Board reminding us that we cannot discriminate against an organization just because it is a church or veterans group or any other protected group. This led to a broader discussion of wanting to make sure that organizations that apply have a non-discrimination policy for employees, volunteers and service recipients. We are working on that wording for the application and for our own Roundup policy.

Financials:

Attached as 202008_Roundup_Financials.pdf.

Note that roundup accounts are down in July-August by 21. For the year we have net 55 fewer roundup accounts.

Roundup foundation funds as of August 31 were \$57,403. Unclaimed Capital Credits were \$44,414.

BALANCE SHEET

	RoundUp Foundation		LPEA Unclaimed Capital Credits	
	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR
	As of 8/31/2019	As of 8/31/2020	As of 8/31/2019	As of 8/31/2020
ASSETS				
Cash and Cash Equivalents				
Checking	23,526	28,916	-	-
Time Deposit Account (CD)	11,761	11,814	-	-
Money Market	16,659	16,673	-	-
LPEA Unclaimed Capital Credits	-	-	18,214	44,414
TOTAL Cash and Cash Equivalents	51,946	57,403	18,214	44,414
TOTAL ASSETS	51,946	57,403	18,214	44,414
LIABILITIES & EQUITY				
LIABILITIES:				
Community Emergency Assistance Coalition Reserve	790	794	-	-
Pagosa Springs Outreach Coalition	1,306	1,326	-	-
Accrued Mileage Reimbursement to Board Members	35	-	-	-
Grants Payable - Round Up	-	-	-	-
Grants Payable - LPEA Educational Grant	-	-	-	10,001
EQUITY	49,815	55,283	18,214	34,412
TOTAL LIABILITIES & EQUITY	51,946	57,403	18,214	44,414

PROFIT AND LOSS STATEMENT

	RoundUp Foundation			LPEA Unclaimed Capital Credits		
	LAST YEAR	THIS YEAR	CURRENT MONTH	LAST YEAR	THIS YEAR	CURRENT MONTH
	1/1/2019 thru 8/31/2019	1/1/2020 thru 8/31/2020	8/1/2020 thru 8/31/2020	1/1/2019 thru 8/31/2019	1/1/2020 thru 8/31/2020	8/1/2020 thru 8/31/2020
INCOME						
Revenue from electric bills rounded up	62,834	63,523	8,036	-	-	-
Revenue from LPEA annual meeting donations	355	-	-	-	-	-
Interest Income	63	45	5	-	-	-
Miscellaneous Donations	-	2,276	-	-	-	-
Revenue from LPEA Unclaimed Capital Credits	-	-	-	40,000	40,000	5,000
TOTAL INCOME	63,252	65,844	8,041	40,000	40,000	5,000
EXPENSES & DONATIONS						
Donations:						
Miscellaneous Donations	38,301	41,564	10,500	-	-	-
Community Emergency Assistance Coalition	15,008	15,088	1,908	-	-	-
Pagosa Springs Outreach Coalition	5,244	5,272	667	-	-	-
CEAC Reserve (Paid to Housing Solutions of the Southwest)	790	793	100	-	-	-
Educational Donations: LPEA unclaimed capital credits	-	-	-	37,391	19,201	10,001
Expenses:						
Mileage Reimbursement to Board Members	216	70	-	-	-	-
TOTAL EXPENSES & DONATIONS	59,559	62,787	13,175	37,391	19,201	10,001
NET INCOME(LOSS)	3,693	3,057	(5,134)	2,609	20,799	(5,001)
Miscellaneous Donations - Above			10,500			
Net Income (Loss) - Above			(5,134)			
Current Revenue Available for Donation			5,366			

COMMUNITY EMERGENCY ASSISTANCE COALITION

DATE	ROUND-UP FUNDS	PERCENTAGE TO CEAC	FUNDING TO CEAC	RESERVE PERCENTAGE	AMOUNT RESERVED	CHECK TO CEAC	8.30% PSOC
1/31/2020	7,927.20	25.00%	1,981.80	5.00%	99.09	1,882.71	657.96
2/28/2020	7,978.17	25.00%	1,994.54	5.00%	99.73	1,894.81	662.19
3/31/2020	7,951.54	25.00%	1,987.89	5.00%	99.39	1,888.50	659.98
4/30/2020	7,906.42	25.00%	1,976.61	5.00%	98.83	1,877.78	656.23
5/31/2020	7,862.27	25.00%	1,965.57	5.00%	98.28	1,867.29	652.57
6/30/2020	7,918.91	25.00%	1,979.73	5.00%	98.99	1,880.74	657.27
7/31/2020	7,943.16	25.00%	1,985.79	5.00%	99.29	1,886.50	659.28
8/31/2020	8,035.65	25.00%	2,008.91	5.00%	100.45	1,908.46	666.96
9/30/2020		25.00%	0.00	5.00%	0.00	0.00	0.00
10/31/2020		25.00%	0.00	5.00%	0.00	0.00	0.00
11/30/2020		25.00%	0.00	5.00%	0.00	0.00	0.00
12/31/2020		25.00%	0.00	5.00%	0.00	0.00	0.00
TOTALS	63,523.32		15,880.84		794.05	15,086.79	5,272.44

ROUND UP PARTICIPATION SUMMARY

DATE	RESIDENTIAL ACCOUNTS	COMMERCIAL ACCOUNTS	OTHER ACCOUNTS	ROUND-UP ACCOUNTS	ROUND-UP PLUS ACCOUNTS	ROUND-UP PLUS AMOUNT
1/31/2020	14,171	1,046	18	15,235	185	\$ 514.73
2/28/2020	14,132	1,049	18	15,199	184	\$ 512.23
3/31/2020	14,094	1,046	19	15,159	182	\$ 509.23
4/30/2020	14,079	1,048	19	15,146	183	\$ 514.23
5/31/2020	14,079	1,051	20	15,150	183	\$ 514.23
6/30/2020	14,103	1,059	21	15,183	183	\$ 514.23
7/31/2020	14,111	1,060	22	15,193	183	\$ 514.23
8/31/2020	14,094	1,057	21	15,172	184	\$ 515.23
9/30/2020						
10/31/2020						
11/30/2020						
12/31/2020						
TOTAL						\$ 4,108.34

Net Increase in Round Up Accounts

DATE	Closed/Dropped Accounts	New Accounts	Net Increase or Decrease
Dec-Jan	133	141	8
Jan-Feb	146	110	-36
Feb-Mar	170	130	-40
Mar-Apr	161	148	-13
Apr-May	183	187	4
May-June	214	247	33
June-July	281	291	10
July-Aug	246	225	-21
Aug-Sept			0
Sept-Oct			0
Oct-Nov			0
Nov-Dec			0

TOTALS	1534	1479	-55
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EXTERNAL AFFAIRS/MEMBER RELATIONS

The External Affairs/Member Relations Committee met on October 6, 2020. The Committee Meeting, (as well as the other TS meetings), was 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 September, 2020.

2. Environmental and Regulatory Activities

- a. For September 2020, 78 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 by CDPHE at JM Shafer Station.

3. Legislative Review

- a. The Staff presented the Federal and State legislative reviews.

4. Corporate Communications

- a. TS Corporate Communications activities and Member Relations reports were provided.

REGULAR BOARD MEETING

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

Additional Notes

TS will have a virtual Special Membership Meeting on December 8, 2020 at 10am. The LPEA Board will need to elect a Delegate for this meeting. See “2020-10-BOD - PROPOSED SPECIAL MEMBERSHIP MEETING” in the Drive. More specific details and the Agenda of the meeting will be provided by TS soon. I will discuss more at this month’s LPEA Board Meeting.

In November, 2020, Basin Electric will have a virtual Annual Meeting and they plan to have the membership vote on proposed changes to the Basin Electric bylaws. LPEA is a Class C member and is eligible to vote. TS Staff feels the proposed changes will have a negative impact on TS and its members (LPEA). LPEA will need to elect/select a Delegate for this meeting. The date, time and more specific information will be provided by TS shortly. I will discuss more at this month’s LPEA Board Meeting.

This month's highlights

- Rate reduction goal and 2021 budget approved
- Partial requirement contract & policies approved
- 2021 beneficial electrification and energy efficiency program approved
- Loads and resources update

From the Chairman

At our October board meeting, we reached a milestone in our cooperative's history with the board setting a goal to lower our wholesale rate and implementing the partial requirements contract option. The advancement of these initiatives fulfills the major commitments of our Responsible Energy Plan.

The board approved the partial requirements contract and associated policies, and we will now make the appropriate filings with FERC and move forward the open season in early 2021. Our approach provides flexibility for the members to increase self-supply, while ensuring those that continue with their existing contracts remain whole.

The board also set a goal to reduce Tri-State's wholesale rates to the membership 8% by the end of 2023, which addresses our Responsible Energy Plan goal and serves to support those rural communities struggling with the impacts of the pandemic and the economy.

It is important to step back and take stock of what we have been able to accomplish. We committed to reduce emissions, began the process of transitioning facilities and supporting the employees and communities affected in the transition. Our commitment to increase renewable energy resources is well underway with the first of many projects, the Crossing Trails Wind Farm, under construction. The FERC held it has exclusive jurisdiction over our tariffs. With the membership, Tri-State is already demonstrating the value of electric vehicles and beneficial electrification with consumers. We took a deliberate path and the necessary time to analyze and address the complex issues of partial requirements and rate reduction.

Together, we have strengthened the value of Tri-State to our membership, increased our competitiveness and set a clear path for our future. The pace of change has been fast, and has not come without conflict, but I believe we are where we need to be. I want to thank the board, member system directors and staff, and Tri-State staff, for your thoughtful engagement throughout these processes.

At our October meeting, the board agreed to hold a special board meeting on November 2, 2020 and a special Membership Meeting on December 8, 2020. At the special Membership meeting, we will consider board representation for partial requirements members, the merger of several JM Shafer corporate entities into Tri-State, and possible amendments to the Articles of Incorporation and Bylaws. More details will be provided in the upcoming weeks. Our 2021 meeting schedule includes four virtual meetings in January, May, August and December, but even with a few virtual meetings on the docket, we all hope to be able to see each other more next year.

On a final note, I want to recognize Empire's Bill Mollenkopf for his 12 years of service to Tri-State's board. Bill is retiring this month, and we will miss his thoughtful and personable nature. As always, please contact me regarding these or any other matters at 719-651-2882 or rick.gordon@tristategt.org

— Rick

From the CEO

Following the board meeting this Wednesday, we held a virtual press conference to announce the board's rate reduction goal and the implementation of partial requirements contracts. I want to thank Southeast's Jack Johnston and Poudre Valley's Jeff Wadsworth for participating in the press conference

and voicing their support for our direction. I also want to thank Gov. Ritter for his participation and his acknowledgement of how Tri-State is meeting our Responsible Energy Plan commitments.

Many members are making their voices heard in support of Tri-State in response to the intensifying public relations efforts from those opposed to FERC's exclusive jurisdiction over Tri-State's tariffs. Both Tri-State and the members are engaging directly with Colorado legislators to understand their concerns and provide the members' perspectives. It is more important than ever for the members to get their messages before their elected officials, regulators and the media, and our staff stands ready to assist in any way possible.

As we all wrestle with the impacts of the pandemic, I am grateful for the opportunities I've had to safely work with our members in person. I recently attended annual meetings with Big Horn, San Isabel and Empire. I've also had opportunities to meet with members where we have differences; it is vitally important that we continue to talk, as only good can come from these continued discussions. I have more opportunities to get out into our members' service territory this month that I am looking forward to, and I hope the invitations keep coming, as time with our members furthers my awareness of your issues and how we can serve you. I'm thankful for the opportunity to participate in meetings and panel discussions to talk about our path forward, particularly focusing on RTOs and our transition.

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 — *Duane*

By the numbers
August 2020 operations performance

- Coal fleet generation availability was 82% and accounted for 44% of total power supply.
- Gas and oil fleet generation was above budget and accounted for 12% of total power supply.
- August renewable generation accounted for 26% of total power supply and 31% of member sales. Renewable generation at Tri-State peak was 220 MW (49% of potential output).
- Other purchased power (unspecified) was 19% of total power supply.
- Member energy sales volumes were 0.4% under budget and non-member energy sales volumes were 19.7% over budget.

View the [Operations Report](#) on the Member Information Center and the directors' BoardBooks app.

August 2020 financial performance

- Member Electric Sales were 2.4%, less than budget as less energy was required compared to budget due to pandemic issues continuing to affect commercial operations.
- Operating expenses were below budget as Tri-State either generated its power needs or purchased power under long-term, existing contracts. Scheduled maintenance was postponed, or selectively performed, at various generating facilities due to pandemic impacts. PNM sales were greater than PNM purchases, and that swap clears to purchase power; the net effect is \$7M in Tri-State's favor.
- Accounts payable increased \$5.6 million, or 5.4%, primarily resulting from an increase in monthly invoices and accruals for natural gas fuel expense at the combustion turbines.
- Production costs were \$7 million, or 37% lower than budget. Scheduled maintenance was postponed, or selectively performed, at various generating facilities due to pandemic impacts. Additionally, fewer employee expenses were incurred due to the reduction in workforce and not backfilling positions budgeted for in 2020.

Monthly financial results

		August 2020		Year to date		Variance
		Actual	Budget	Actual	Budget	
Sales	Members	123,541	126,564	827,849	863,495	(35,646)
	Non-members	21,286	7,347	63,462	46,840	16,622
Other Operating Revenue		6,576	3,381	32,150	27,461	4,689
Total Operating Revenue		\$151,403	\$137,292	\$923,461	\$937,796	(\$14,335)
Purchased Power		33,451	37,649	231,573	243,974	(12,401)
Production & Fuel		35,846	42,471	254,462	293,103	(38,641)
Depreciation & Amortization		15,315	15,175	122,254	121,068	1,186
Coal Mining		1,754	896	6,046	6,702	(656)
Transmission		14,315	14,948	112,158	118,679	(6,521)
G&A		6,766	3,826	43,114	30,322	12,792
Other Operating Revenue		936	760	11,899	6,380	5,519
Total Operating Expenses		\$108,383	\$115,725	\$781,506	\$820,228	(\$38,722)
Operating Margins		43,020	21,567	141,955	117,568	24,387
Other Income		497	732	6,859	9,538	(2,679)
Interest Expense		12,071	12,854	97,594	102,728	(5,134)
Income Tax Expense		67	-	298	(77)	375
Net (Income) Loss Attributable to NCI		(475)	(475)	(3,689)	(3,689)	-
Net Margins		\$30,904	\$8,969	\$47,233	\$20,766	\$26,467
Member and non-member sales						
TPP/MCP Demand (MW/Mo.)		2,906	3,073			-5.4%
Energy (GWh)		1,654	1,660			-0.4%
Non-member energy (GWh)		178.9	149.5			19.7%

Board meeting update

Rate reduction goal and 2021 budget approved

The Board of Directors approved a resolution creating an ambitious goal to reduce member rates by at least 8% from current rates by the end of 2023. The board also approved the 2021 Capital and Operating Budgets, which keeps the Class A Rate the same for 2021.

- The Board of Directors established a goal of reducing the association's average Class A Wholesale Rate below \$70/MWh, or at least 8% below its current level, by the end of 2023.
 - The resolution recognizes the need to keep member rates affordable and competitive while continuing to remain a reliable source of energy and increasing clean energy delivered to members.
 - Rate reductions will assist Tri-State members and the communities they serve as they struggle economically with the impacts of COVID-19, the downturn in the oil and gas industry, and other factors.
 - Staff will continue to work with the Board of Directors and the membership to identify current services, capital expenditures and programs that may be eliminated or reduced, while also identifying core services that must be continued.
- The Board of Directors also approved the 2021 Capital and Operating Budgets. Highlights of the budgets include:
 - For the fifth 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.
- View the [Rate Reduction Resolution](#) on the Member Information Center and the directors' BoardBooks app.
- View the [Consolidated Budget presentation](#) on the Member Information Center and the directors' BoardBooks app.
- View the [press release](#) on the board's actions.

Partial requirement contract and policies approved

The Board of Directors approved the partial requirements contract template and associated policies, which staff has been working with the membership on over the last few months. The approval of the policies allows staff 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.
- Since then, staff has worked with the membership to develop a partial requirements contract template and supporting board policies, which the board approved. The policies will be filed with FERC for approval. Tri-State has already filed a buydown methodology with FERC, which will be used to determine the cost to move to a partial requirements contract.

- The new policies will be filed with FERC for approval with the goal of having the new contract option available for interested members in early 2021.
- Members may choose to self-supply up to 50% of their loads, collectively up to 300 megawatts, or about 10% of Tri-State's peak demand. This is in addition to existing self-generation provisions, like the option to locally generate up to 5% of member load or develop community solar.
- In mid-October Tri-State will announce a 90-day notice period for members to consider whether they would like to transition to partial requirements, followed by the Open Season, during which members may indicate their interest in a certain size of self-supply. At the end of the Open Season, members whose self-supply requests can be fulfilled will be notified to begin developing their contract options.

Beneficial electrification and energy efficiency program approved

The Tri-State Board reviewed the current BE & EE program, which is done on an annual basis to determine the success of existing offerings, integrate new technologies, and ensure that our programs continue to drive value for our members. Through the recently re-established Products & Services Advisory Council, Tri-State staff discussed proposed recommendations with members and polled the council to determine what changes the membership would like to see implemented, as well as collect feedback on other offerings they would like to include as a part of the program. The board approved the 2021 program, which includes several new options and modifications to existing offerings, including:

- Establishing a Heat Pump Quality Install pilot program centered on contractor training for the correct sizing and commissioning of heat pump installations. For 2021, a pilot program application will be developed for interested members.
- Continuing to advance Tri-State's efforts in beneficial electrification and electric vehicles (EV). The EV supply equipment rebate has been expanded to include a \$5,000 incentive for high speed DC Fast Chargers.
- In 2021, new offerings such as commercial heat pumps, induction stoves, and smart thermostats will be evaluated for implementation.
- Changes to the overall program in 2021 include expanding the eligible products for outdoor power equipment, consolidating the multi-tier AC rebate, removing member system matching payments for low income weatherization and EVSE rebates, as well as other small changes designed to improve and modernize the programs for the membership.

View the [Beneficial Electrification & Efficiency presentation](#) on the Member Information Center and the directors' BoardBooks app.

Consent agenda

Through a consent agenda, the board approved the following board policies: Policy 101 qualifying facility capacity and energy purchase policy and Policy 102 long term power supply policy. The following resolutions were also approved: J.M. Shafer Station water filter system mechanical contract change order authorization, Maverick-Cahone 230 kV transmission line reclamation contract, construction contract for the Cheyenne Field Facility authorization, Cheyenne Maintenance Center grant of easement and Cow Creek-Dallas Creek 115 kV transmission line release of easement.

Member CEO Meeting

Jennifer Goss, SVP Member Relations, updated the board about the upcoming Member CEO Committee Meeting that will be held virtually October 13. The committee will review several topics including the strategy map, the partial requirements contract, updates from Member Relations, the budget, the Responsible Energy Plan and the committee's initiatives.

Loads and resources update

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

- NuScale small modular reactor (SMR) received Nuclear Regulatory Commission (NRC) approval. NuScale's SMR met all safety requirements, and the design approval is the first issued in the U.S. NuScale's intent is to apply in 2022 for a standard design approval of 60-MW per module. The first plant would be twelve 60-MW modules at DOE's Idaho National Laboratory, with the first module operational by mid-2029.
- SPP will expand reliability services with the addition of eight new generators in four states in 2021 with a recent Gridforce agreement. SPP became a reliability coordinator in the West in 2019
- After the 2000-01 California energy crisis, FERC identified structural reforms and market rule changes in California and WECC, establishing a \$250/MWh cap for all sales in WECC, and subsequently clarified the cap as a "soft" cap. Sales above the cap are subject to justification and refund. Since 2011, the cap has been set at \$1,000/MWh. During the recent high market prices, Tri-State made several trades over \$1,000, and made a filing on the trades on October 7.
- The Springerville pseudo-tie agreement was signed in September. The agreement moves our 320 MW at Springerville from the WAPA BA to PNM BA due to the Escalante Station closure.
- Tri-State executed the sale of contingency reserves to Municipal Energy Agency of Nebraska with a one-year term beginning October 1 with anticipated revenue of approximately \$200,000/year.

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

Meetings and events

Tri-State board and committee meetings

- The Member CEO Meeting will be held virtually October 13.
- The Board will have a special meeting virtually on Nov. 2 at 10 a.m. to discuss a potential special membership meeting for proposed bylaw changes.
- Tri-State's November Board Meeting will be held November 10-11 and will follow the same hybrid format with in-person and virtual participants.

Tri-State Board of Directors

October 2020 Meeting Highlights



On October 7, the Board of Directors held a hybrid board meeting, with some board members attending in person and others participating virtually.

Rate Reduction Goal and 2021 Budget Approved

The Board of Directors approved a resolution creating an ambitious goal to reduce member rates by at least 8% from current rates by the end of 2023. The board also approved the 2021 Capital and Operating Budgets, which keeps the Class A Rate the same for 2021.

- The Board of Directors established a goal of reducing the association's average Class A Wholesale Rate below \$70/MWh, or at least 8% below its current level, by the end of 2023.
 - The resolution recognizes the need to keep member rates affordable and competitive while continuing to remain a reliable source of energy and increasing clean energy delivered to members.
 - Rate reductions will assist Tri-State members and the communities they serve as they struggle economically with the impacts of COVID-19, the downturn in the oil and gas industry, and other factors.
 - Staff will continue to work with the Board of Directors and the membership to identify current services, capital expenditures and programs that may be eliminated or reduced, while also identifying key core services that must be continued.
- The Board of Directors also approved the 2021 Capital and Operating Budgets. Highlights of the budgets include:
 - For the fifth 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.

Partial Requirement Contract and Policies Approved

The Board of Directors approved the partial requirements contract template and associated policies, which staff has been working with the membership on over the last few months. The approval of the policies allows staff 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.
- Since then, staff has worked with the membership to develop a partial requirements contract template and supporting board policies, which the board approved. The policies will be filed with FERC for approval. Tri-State has already filed a buydown methodology with FERC, which will be used to determine the cost to move to a partial requirements contract.
 - The new policies will be filed with FERC for approval with the goal of having the new contract option available for interested members in early 2021.
 - Members may choose to self-supply up to 50% of their loads, collectively up to 300 megawatts, or about 10% of Tri-State's peak demand. This is in addition to existing self-generation provisions, like the option to locally generate up to 5% of member load or develop community solar.
 - In mid-October Tri-State will announce a 90-day notice period for members to consider whether they would like to transition to partial requirements, followed by the Open Season, during which members may indicate their interest in a certain size of self-supply. At the end of the Open Season, members whose self-supply can be fulfilled will be notified to begin developing their contract options.

Tri-State Beneficial Electrification & Energy Efficiency Program (BE&EE)

The Tri-State Board reviewed the current BE & EE program, which is done on an annual basis to determine the success of existing offerings, integrate new technologies, and ensure that our programs continue to drive value for our members. Through the recently re-established Products & Services Advisory Council, Tri-State staff discussed proposed recommendations with members and polled the council to determine what changes the membership would like to see implemented, as well as collect feedback on other offerings they would like to include as a part of the program. The board approved the 2021 program, which includes several new options and modifications to existing offerings, including:

- Establishing a Heat Pump Quality Install pilot program centered on contractor training for the correct sizing and commissioning of heat pump installations. For 2021, a pilot program application will be developed for interested members.
- Continuing to advance Tri-State's efforts in beneficial electrification and electric vehicles (EV). The EV supply equipment rebate has been expanded to include a \$5,000 incentive for high speed DC Fast Chargers.
- In 2021, new offerings such as commercial heat pumps, induction stoves, and smart thermostats will be evaluated for implementation.
- Changes to the overall program in 2021 include expanding the eligible products for outdoor power equipment, consolidating the multi-tier AC rebate, removing member system matching payments for low income weatherization and EVSE rebates, as well as other small changes designed to improve and modernize the programs for the membership.

Save the Dates: Special Board Meeting and Membership Meeting set

The Tri-State Board agreed to hold a special board meeting on November 2, 2020 and a special Membership Meeting on December 8, 2020. More details will be provided in upcoming weeks. The membership meeting is necessary to consider amendments to the Tri-State Bylaws and Articles of Incorporation.

Colorado Rural Electric Association- October 2020 Report

The Colorado Rural Electric Association did not meet in September 2020. There will be a Budget and Finance Committee meeting on Friday, October 23rd, and a regularly scheduled Board meeting on Friday, October 30th.

Holly Metzler

Western United Electric Report October 2020

On September 28, 2020, I attended the Western United Electric Policy Committee meeting to work out a couple of modifications to policies to provide recommendations on more concise parameters for the work of the CEO and the Board of Directors of WUE. After much discussion, these recommendations were taken to the full Board of Directors at the regular October 9, 2020 meeting, and adopted by the full Board.

Western United Electric continues to have strong sales in the first quarter of the 2020/2021 FY, ending September 30, 2020, with sales within 1% of the same period last year. Growth in sales is up in some categories, and down in others, with October starting out very strong. WUE has been well served by the proactive stocking of materials as the COVID impacts began, which has mitigated the increase in lead times on many products. Those products that have seen the largest lead time increases while being in high demand among membership are no longer available to entities who are not part of the membership. For these reasons, backlog is high, and inventory turns are still above the goal of 3 turns, though this may drop, especially if a recession occurs.

Other WUE business: progress is being made on the St. George, UT expansion, though the construction bidding process has been challenging. The Board accepted a turn-key bid by a contractor who estimates completion of the project by the end of May 2021. WUE is in the process of hiring a new CSO, with interviews underway. Two major national competitors have merged, which has had the immediate benefits of a wide range of talent seeking information on stable employment with WUE and an increase in market share growth.

Respectfully submitted,

Holly Metzler
LPEA Representative
Western United Electric