

Board of Directors Policy

Subject: Rate Development			Policy No: 214
Original Issue: 2/15/12	Last Revised: 12/14/16	Last Reviewed: 12/14/16	Page 1 of 2

I. OBJECTIVE

To set forth the policy relating to the development and implementation of electric rates that allow La Plata Electric Association, Inc. (Cooperative) to provide electricity that is safe, reliable, cost based, considerate of the environment, and maintains the financial strength of the Cooperative.

II. POLICY

- A. The Board of Directors will approve all changes to Cooperative rates and rate structures.
- B. At least annually, the Chief Executive Officer (CEO) will prepare a forecast of revenue requirements and make a recommendation to the Board outlining any need for rate adjustments. A cost-of-service study, when deemed necessary by the CEO due to major changes in the cost to serve, will be performed to obtain information to develop rates as outlined below.
- C. Rates will be developed and implemented that strive to:
 - 1. Generate margins adequate to meet annual lender requirements and long-term financial objectives set and approved by the Board;
 - 2. Allocate costs across rate classes in an equitable, non-discriminatory, manner;
 - 3. Minimize subsidies between different rate classes;
 - 4. Minimize subsidies within rate classes;
 - 5. Ensure all rate classes contribute to the margins of the Cooperative;
 - 6. Balance the collection of fixed costs through fixed charges (e.g. base charge) and recover variable costs through appropriate variable charges (e.g. energy charges), with the desire to encourage conservation, energy efficiency, and renewable energy.
 - 7. Comply with strategic planning goals set from time to time by the Board.
- D. Rate classes will be developed in the Cooperative Business manner, in that similar members/customers will be in the same rate class.

LA PLATA ELECTRIC ASSOCIATION, INC.
DURANGO, COLORADO

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- E. The Board will publish notice of meetings to review the rate process and to consider any proposed changes in rates. This notice will comply with or exceed applicable statutory requirements for notice to the public before the rate change can take effect.

III. RESPONSIBILITY

The President of the Board of Directors is responsible for the administration of this policy.

12/14/2016

Date

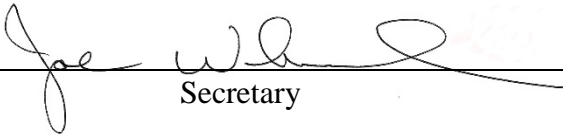

Secretary

Exhibit A

August 17, 2016

LPEA Rate Design Strategic Planning Goals

LPEA will strive to design rates that fairly collect revenue from its members as outlined in LPEA Policy 214. The following goals assume LPEA's expenses, especially wholesale expenses, remain similarly structured.

- 1) Enhance and promote cost based Time of Use rates.
- 2) Design Time of Use rates that are beneficial relative to its standard rate counterpart for most members prior to any deliberate load shifting.
- 3) For rates where an on-peak energy component exists, strive to collect Tri-State demand expenses through the on-peak energy charge.
- 4) For rates where a demand component exists, strive to collect LPEA demand expenses through the demand charge.
- 5) For rates where demand or on-peak energy components exist, strive to collect an amount equal to LPEA's customer expenses through the base charge.
- 6) For rates where only base and energy components exist, strive to collect 100% of LPEA's customer expenses plus up to 25% LPEA's demand expenses (2016 level was 14%) through the base charge which will encourage low usage members to favor Time of Use rates.
- 7) The standard general service single phase rate will consist of only a base charge and energy charge.
- 8) Once LPEA metering and billing technology allows for AMI Time of Use billing computation for all customer groups, LPEA will establish Time of Use rates as the default rate for new services and reconnects (likely January 2018).
- 9) Beginning January 2018, consider adding a demand charge component to LPEA's three phase small commercial rate while educating affected members about demand prior to implementation.
- 10) Beginning January 2020, consider eliminating rates that only contain a base charge and energy charge and standardize on Time of Use and demand structured rates.