

**80
YEARS**

LPEA

La Plata Electric Association, Inc.

A Touchstone Energy® Cooperative



Strategic Plan

Revised: May 2019

Table of Contents

Table of Contents	2
LPEA's Vision	3
LPEA's Mission	3
LPEA Board's Commitment	3
Overview	3
The Structure of LPEA's Strategic Plan Format	4
Industry Assessment	5
Industry Assessment Update – 2018	5
Strategic Initiatives & their Narratives	7
Power Supply & Delivery	7
Member Engagement	7
Leadership and Organizational Development	7
Distribution Utility of the Future	7
Local Economic Development	7
Operational Excellence	7

LPEA's Strategic Goal

LPEA will strive to reduce its carbon footprint by 50% from 2018 levels by year 2030 while keeping members' cost of electricity lower than 70% of its Colorado cooperative peers.

LPEA's Vision

Shaping the future by building trustworthy community partnerships as an innovative, forward-thinking industry leader, delivering excellence in our member-owned cooperative.

LPEA's Mission

La Plata Electric Association, Inc. provides its members safe, reliable electricity at the lowest reasonable cost while being environmentally responsible.

LPEA Board's Commitment

As we look towards the future of the co-op, the Board commits to actively honoring our mission to provide safe, reliable, environmentally-responsible power while achieving the lowest reasonable cost to our members. In doing so, we will explore and carefully vet a holistic suite of options to increase LPEA's value to the membership. We will pursue our mission with transparency, community engagement, acknowledgement of risk, trust of our members by performing our fiduciary responsibility.

Overview

La Plata Electric Association Strategic Plan is a living plan crafted through a joint process of board members and staff in the Spring & Summer 2018. The plan sits upon three core pillars; The Vision, The Mission, and The Board's Resolution. The Board will develop Strategic Initiatives which align with and uphold these three pillars. Strategic Initiatives set the direction for the cooperative, "moving us from our "current state" to "our desired state".¹ From these Initiatives, the Board and Staff will develop Strategic Goals. The tasks to meet these goals will be primarily developed by Staff with accountability to the Board via measured and timely and reportable metric.

The plan constantly updated through consideration of the current and anticipated future state of our industry by all the stakeholders. LPEA's Board of Directors along with staff will review trends and will adjust the plan according to what is considered. Within the plan LPEA will document these considerations in the Industry's Assessment Section.

¹ p. 12, Strategic Planning Manual, NRECA CCD 2630, 2018

The Structure of LPEA's Strategic Plan Format



Industry Assessment

Industry Assessment Update – 2018

The electrical industry continues to be in a period of unprecedented change driven by many different technological innovations. In an effort to stay abreast of the continued changes in the industry, LPEA's Board of Directors established a Long-Term Strategies Committee (LTSC). Its Mission Statement was:

To identify several possible energy scenarios and emerging trends that LPEA could pursue over the next 15 years. To provide organized prediction methodologies to illustrate how LPEA's financial and operational future might look under each of them.

The committee submitted its report to the Board of Directors, Staff and Membership in June 2018.

The key findings from the committee were:

- There is a concern that LPEA's current power supplier, Tri-State Generation and Transmission (TSGT) will not be cost competitive with emerging generation technologies. TSGT current investments in long term generation might limit their ability to bring lower cost generation to their portfolio, and thusly not be able to deliver affordable energy to LPEA creating a local market environment that will continue to erode our own sales which LPEA is reliant on with its current rate design and business model.
- Government Regulations will continue to provide challenges to LPEA. There are a potential set of regulations or legislative efforts that could impact LPEA tremendously.
 - Retail Choice/Community Aggregation is the concept of allowing "communities" or the individual consumer to purchase their energy from non-traditional utilities.
 - Renewable Energy Portfolio Standard (RPS) is the expectation and requirement of the utilities to bring on certain renewable generation goals. Since the beginning we have met these goals through our membership in TSGT and with our consumer own efforts. These goals are reviewed and are revised from time to time.
 - Carbon Fee/Taxation is another potential legislative effort that could impact TSGT directly causing increased purchase power expense to LPEA. There are multiple models, but ultimately the intent is to increase the cost of carbon-based fuels (e.g. coal, gas, oil) to transition these types of fuels out of the generation mix that is supplying our system
 - Changes in Net Metering or addition of Virtual Net Metering could also bring more local renewable energy, but also erode LPEA's sales of kWh
 - Franchise Agreements. LPEA currently has a Franchise Agreement with the City of Durango until 2033. Additionally, LPEA is in negotiations with the Town of Pagosa and have had in the past expression of other Franchise Agreements from the Town of Bayfield and the Town of Ignacio.
 - Other regulations such North American Electric Reliability Corporation (NERC) Reliability Standards could also impact LPEA's operation and ultimately costs to its consumers.
- The evolution of a Regional Transmission Organization that will deregulate the bulk transmission market could also directly impact LPEA's bills to TSGT and/or open other opportunities for LPEA to "import" energy into our service territory.

- The transportation sector of our economy is in transition to direct electrical energy. The committee found that Electric Vehicles are becoming more and more economical for our consumers and are beginning to be adopted by them. This is a tremendous growth opportunity in kWh sales for LPEA. It also could be an issue related to our electric grids ability to deliver the energy depending upon when EV's are charging.
- Energy Storage at the utility scale is still on a path to be commercially viable in the next few years. The energy storage mandate of California will drive costs for energy storage downward. Energy storage is critical in the transition to more renewable generation. It brings more value, not just economically, but also increasing reliability and availability of energy at times when it is needed.

Additionally, Mike Dreysspring, LPEA's CEO, provided his "CEO Vision" to the board at the end of 2017. The LTSC's key findings supported his vision. Ultimately, we are looking at a future where LPEA may need to adopt a different business model that shifts away from cost recovery linked to kWh sales. Additionally, as behind the meter distributed generation along with the transition of the transportation sector of our economy to electricity changes how energy is delivered, LPEA will need to continue to modernize its grid to meet these demands not just with direct investment into the grid, but also policy and pricing signals.

Strategic Initiatives & their Narratives

The below Strategic Initiatives focus the board and staff on common vision for our future moving forward. These initiatives were developed over the course of numerous activities and conversations between board and the staff from March through August 2018. Ultimately, these initiatives were chosen because they “move us towards our desired state” as a utility. Documentation of our SWOT analysis can be found in Appendix A.

Power Supply & Delivery

The Power Supply Strategic Initiative will generate a comprehensive strategy for supplying energy and capacity delivered in a way that maintains the highest possible value and reliability to LPEA's membership.

Member Engagement

The Member Engagement Strategic Initiative ensures that LPEA Board and Staff are effectively serving our membership. In this, we seek to deepen and broaden our understanding of the membership and their desires for the coop as we move forward. Further, we seek to ensure our membership is educated about LPEA, including an accurate portrayal of our challenges and successes. Finally, we seek to demonstrate the unique value LPEA provides to the community through execution of our cooperative model.

Leadership and Organizational Development

Within this strategic initiative, we aim to foster exceptional and visionary leadership within the senior leadership, cultivate an effective working culture, and ensure that LPEA staff & leadership have the resources, training and positions needed to meet and excel within the changing context of the industry.

Distribution Utility of the Future

The Distribution Utility of the Future Strategic Initiative sets LPEA on a direction to prepare for and optimize shifts coming in grid design, electrification and technology availability in a way that strengthens LPEA's viability and relevance, maintain reliability, and advances our financial viability. This also includes adopting a business model aligned to shifting electric loads and cost structures.

Local Economic Development

In alignment with our Cooperative principles, LPEA will seek out opportunities aligned with our mission that promote strategic, local economic development.

Operational Excellence

LPEA will strive for operational excellence in all areas of daily operations and cooperative business.