

**LPEA Studies Power Supplies**  
**4/25/19**

YOU'RE WATCHING DURANGO TV NEWS. I'M DEBORAH URODA SITTING IN FOR WENDY GRAHAM SETTLE.

TWO RECENTLY COMPLETED STUDIES INDICATE THAT THE LA PLATA ELECTRIC ASSOCIATION COULD REASONABLY END ITS CONTRACT WITH THE TRI-STATE GENERATION AND TRANSMISSION COOPERATIVE AND STILL MAINTAIN A RELIABLE POWER SUPPLY WITH MORE SUSTAINABLE ENERGY AT A LOWER COST THAN IT PAYS TRI-STATE FOR SERVICE TODAY.

THOSE WERE THE KEY CONCLUSIONS PRESENTED AT THE L P E A BOARD MEETING LAST WEEK.

EARLIER THIS YEAR, THE LA PLATA ELECTRIC ASSOCIATION BOARD OF DIRECTORS HIRED ALBUQUERQUE-BASED ENCHANTMENT ENERGY CONSULTING AND RIO ENERGY AS PARTNERS TO CONDUCT A MARKET ANALYSIS OF THE COOP'S CURRENT CONTRACT AND ENERGY SUPPLY FROM TRI-STATE.

ANOTHER CONSULTANT, ENERGY STRATEGIES FROM SALT LAKE CITY, ANALYZED WHETHER LPEA COULD PURCHASE ALTERNATIVE SOURCES OF RENEWABLE ENERGY AT A REASONABLE COST.

TRI-STATE GENERATION AND TRANSMISSION ALSO IS A MEMBER-OWNED COOPERATIVE THAT SUPPLIES WHOLESALE ENERGY TO 43 DISTRIBUTION COOPERATIVES IN WYOMING, NEBRASKA, COLORADO AND NEW MEXICO.

WHILE TRI-STATE PRODUCES 30 PERCENT OF ITS ENERGY FROM RENEWABLE RESOURCES, TRI-STATE CURRENTLY LIMITS THE AMOUNT OF RENEWABLE ENERGY THAT ITS MEMBER COOPERATIVES CAN PRODUCE TO 5 PERCENT OF THEIR TOTAL ENERGY CONSUMPTION.

HOWEVER, THE L P E A BOARD HAS SET AS A GOAL TO REDUCE ITS USE OF CARBON-BASED ENERGY BY 50 PERCENT BY THE YEAR 2030 WHILE KEEPING CONSUMER PRICES AT 70 PERCENT OF PEER COOPERATIVES. UNDER ITS CURRENT CONTRACT WITH TRI-STATE, LPEA CANNOT MEET THAT GOAL.

**Mike Dreyspring:** "ONE OF THE THINGS THAT HAS BEEN DRIVING LPEA IS THE RESTRICTIONS ON DEVELOPING LOCAL RENEWABLE GENERATION. WE HAVE THE ABILITY RIGHT NOW UNDER OUR CONTRACT TO SELF SUPPLY WITH LOCAL RENEWABLE GENERATION UP TO 5% OF OUR LOAD. WELL WE'VE HIT THAT, AND WE'VE SPENT SEVERAL YEARS TRYING TO WORK WITH TRI STATE ON IDENTIFYING WAYS TO INCREASE THAT AMOUNT AND GIVE US MORE FLEXIBILITY TO DO THAT. AND THOSE HAVE NOT BEEN FRUITFUL AND THAT REALLY ULTIMATELY LED US TO START LOOKING AT "OKAY IF THIS IS THE LIMIT. IF THIS IS ALL WE'RE GOING TO BE ABLE TO DO, CAN WE DO POWER SUPPLY DIFFERENTLY AND BETTER." YOU KNOW, FROM TRI-STATE AND THAT WAS KIND OF THE GENESIS OF WHAT CAUSED US TO LOOK AT THIS. SO THE BOARD SAID, "OKAY WE'RE GONNA ESTABLISH A POWER

SUPPLY COMMITTEE AND WE TASK YOU WITH TWO THINGS. NUMBER ONE TELL US WHAT THE VALUE OF OUR CONTRACT CURRENTLY IS AND NUMBER TWO TELL US WHAT THE ALTERNATIVES ARE OUT THERE IN THE MARKETPLACE IN THE WESTERN UNITED STATES FOR POWER SUPPLY IN LIEU OF OUR CURRENT SUPPLIER.”

THE ENERGY STRATEGIES REPORT INDICATED THAT LA PLATA ELECTRIC WILL BE ABLE TO PURCHASE RELIABLE SOURCES OF RENEWABLE ENERGY TO MEET ITS NEEDS, THAT IT WILL BE ABLE TO TRANSMIT THAT POWER OVER THE CURRENT GRID OPERATED BY TRI-STATE AND THE WESTERN AREA POWER ADMINISTRATION, AND THAT L P E A SHOULD BE ABLE TO PURCHASE SUSTAINABLE ENERGY SUPPLIES AT A LOWER COST THAT IT CURRENTLY PAYS TRI-STATE FOR ITS MIX OF COAL AND SUSTAINABLE ENERGY SOURCES.

**Mike Dreyspring:** “THIS HAS A LOT OF PROMISE FOR US. WHAT WE'RE LOOKING AT, WHAT WE'RE STUDYING, WHAT WE'RE THINKING ABOUT TRYING TO DO. BUT THERE ARE THREE THINGS THAT WE WANT TO MAKE SURE THAT WE MAINTAIN. NUMBER ONE, RATE COMPETITIVENESS THAT WE'VE ALREADY TALKED ABOUT. NUMBER TWO DON'T IMPAIR RELIABILITY. MAKE SURE THAT WE KEEP THE LIGHTS ON. ONE OF THE THINGS THAT WE FOUND OUT AS A RESULT OF THESE TWO CONSULTANT STUDIES IS THAT'S ACHIEVABLE. WE DON'T HAVE AS MUCH CONCERN, BUT WE STILL NEED TO DO SOME ADDITIONAL DUE DILIGENCE, BECAUSE WHILE WE'RE NOT CONCERNED ABOUT RELIABILITY WE ARE CONCERNED ABOUT THE PRICE. AND THEN THE THIRD THING IS DON'T IMPAIR THE FINANCIAL CONDITION OF THE COOPERATIVE. WE BELIEVE THAT WE CAN MAINTAIN THOSE THREE THINGS, BUT A REALLY CRITICAL PART IS HOW DO YOU GET THE POWER DELIVERED HERE.?”

LA PLATA ELECTRIC STILL MUST DETERMINE WHETHER IT CAN NEGOTIATE A CHANGE IN ITS CONTRACT WITH TRI-STATE TO PURCHASE MORE SUSTAINABLE ENERGY FROM OTHER SOURCES OR WHETHER IT WILL HAVE TO BUY OUT ITS CONTRACT WITH TRI-STATE AND PURCHASE ALL ITS ENERGY ON THE OPEN MARKET.

AND THE COST OF THAT BUY-OUT MAY PLAY AN IMPORTANT FACTOR IN THAT DECISION.

IF THE COST OF ENDING THE TRI-STATE CONTRACT IS TOO HIGH, IT COULD DRIVE UP ENERGY COSTS FOR LA PLATA ELECTRIC CONSUMERS BEYOND WHAT THE COOPERATIVE CAN BEAR.

LA PLATA ELECTRIC IS LOOKING TO THE KIT CARSON ELECTRICAL COOPERATIVE IN NEW MEXICO FOR GUIDANCE. KIT CARSON WAS THE FIRST TRI-STATE MEMBER TO LEAVE THE POWER AND GENERATION TRANSMISSION COOPERATIVE TO PURCHASE ADDITIONAL SUSTAINABLE ENERGY IN ITS POWER MIX.

BUT DREYSPRING SAID THAT TRI-STATE MEMBER COOPERATIVES ARE HAPPY WITH TRI-STATE'S EFFORTS TO REDUCE ITS CARBON FOOTPRINT, BUT ITS CHANGES AREN'T EXTENSIVE OR FAST ENOUGH FOR THE MEMBER-ELECTED LA PLATA ELECTRIC BOARD OF DIRECTORS.

**Mike Dreyspring:** “WE'VE GOT TO FIND A WAY TO SEQUESTER CARBON. YOU KNOW,

OUTPUT IS NOT JUST WITHIN THE TRANSPORTATION INDUSTRY BUT IT WITHIN THE ELECTRIC UTILITY INDUSTRY. SO I DON'T THINK THERE'S ANY QUESTION THAT'S THE DIRECTION THAT WE'RE HEADED. THE QUESTION NOW IS, YOU KNOW, HOW MUCH THE MEMBERS WITHIN TRI-STATE ARE SAYING "YEAH WE SEE THAT RISK". THAT WE'VE GOT TO DO SOMETHING ABOUT AND THEY'RE WILLING TO VOTE THAT KIND OF A CHANGE. I HOPE AND BELIEVE THERE'S SOME BASIS YOU KNOW FOR COMPROMISE, BUT ONE OF THE REASONS WHY WE'RE DOING THIS IS BECAUSE, YOU KNOW, IF IT'S NOT, WE'RE NOT GOING TO BE THE FIRST ONES TO HAVE DONE THIS. I MEAN, KIT CARSON HAS ALREADY DONE THIS SUCCESSFULLY. YOU KNOW WE WANT TO MAKE SURE THAT, YOU KNOW THE EARLY BIRD MAY GET THE WORM BUT THE SECOND MOUSE ALWAYS GETS THE CHEESE. CAN WE DO THIS BETTER?"

YOU CAN FIND COPIES OF THE POWERPOINT PRESENTATIONS ON THE STUDIES AND A RECORDING OF THE MAY 17TH MEETING AT WHICH THEY WERE PRESENTED ON THE LA PLATA ELECTRIC WEBSITE AT [LPEA.COOP](http://LPEA.COOP).

THANKS FOR WATCHING THIS EDITION OF DURANGO TV NEWS. IF YOU LIKED THIS STORY AND WANT TO WATCH IT AGAIN, LOG ON TO OUR WEB SITE AT [DURANGOTV.COM](http://DURANGOTV.COM).

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I'M DEBORAH URODA FOR DURANGO TV NEWS.