



PAGOSA AREA GEOTHERMAL WATER AND POWER AUTHORITY

REGULAR MONTHLY MEETING MINUTES

January 11, 2016 @ 5:00 p.m.

**County Admin Offices
398 Lewis Street,
Pagosa Springs, CO 81147**

- I. Meeting called to order by Chairman Clifford Lucero at 5:01

Present:

Mike Alley
Michael Whiting
Steve Wadley
David Schanzenbaker
Don Volger
John Egan

- II. Minutes of 12-14-2015
 - a. Motion to approve: Wadley, 2nd, Alley
- III. Invoices: No action (no invoices to approve)
- IV. Pagosa Waters update
 - a. Jerry Smith introduced the topic by providing background regarding the DOE's involvement and that they (DOE) were not able to provide funding through the completion of a confirmation well. Pagosa Waters staff have been, since Aug. 2015 working on a plan for outside funding. If we choose to continue, PW staff has found

that there is a way to get a greater level of confidence in below grade geology with an alternate geophysical test that does not require drilling. Smith indicated that the PW preference is to pursue a confirmation well, but recognized that there is no outside funding available for the effort. Regarding the lease, Smith continued by stating that there are essentially three options with the ground lease, those being, abandon the lease, resume payments, or negotiate an extension on the moratorium of the lease payment until the PAGWAPA Board determines how it wants to move forward. PW has been advised that even though the lease payments have been abated, the property owner has indicated that they need to know by Feb. how the Board intends to move forward. The property owner is looking to PAGWAPA, to either abandon the lease or start paying again.

Lucero: seems like the Levine's are putting pressure on PAGWAPA, forcing us to rush our hand

Smith: we need to make a decision by February regardless, as moving forward with a drilling plan needs to be formalized by then anyway.

Smith: we need to develop a go or no go plan, commit to it, and communicate that decision to the Levine's.

Whiting: we have done all of the ground work to develop the science, should we remain in the project if the private sector is willing to take up the project.

Smith: something to keep in mind is the fact that there is value in the lease. If we maintain it, there is the possibility that it could be sold at some point. An alternative might be to just do a cash call on the partners to keep the project moving forward. This could happen in a couple of different ways, with the partners meeting the cash call or outside funds be solicited to satisfy a dissenting partner's share. The board concluded that additional details were necessary. PW agreed to develop an analysis with some alternatives and a plan to move forward.

- The first step, exclusive of any plan will be for PW to pursue additional deferrals on the lease payment.
- PW to bring back a plan for moving forward that the Board can evaluate to make a go/no go decision at the Feb. meeting.
- That plan will include, bid estimates for drilling, cost for each entity to continue to participate, the latter to include the expenses necessary to support the continuation of the lease.
- The Feb report will include a better understanding of the details of the lease and how long the payments can be abated, and what the demand will be for retroactive payment.

V. Review of Billing Process between Pagosa Waters, Pagosa Verde, and the Geothermal Authority

- a. PW reported that there is \$82,000 in the bank and that there is one outstanding invoice of \$6,000 that needs paid. The question was raised regarding billing against PW account and who can bill against, and what are the controls. The representative on PW from the Board was Board member Schanzenbaker, and authority to approve invoices was conferred upon him. PV indicated that there

will be charge for the consulting work that is being undertaken to determine a position and a plan for moving forward. If there are any charges that are considered reimbursable PV will seek pre-approval. PV staff will develop a budget for the anticipated consulting work to be approved by the PAGWAPA Board.

VI. Status of Lease agreement with Fairway Trust

- a. See item IV. above.

VII. Other Items of mutual interest

- a. None offered

VIII. Adjournment

- a. Meeting was adjourned at 6:17 pm.