



GENERATION NEXT

2017 Annual Report
Delta-Montrose Electric Association

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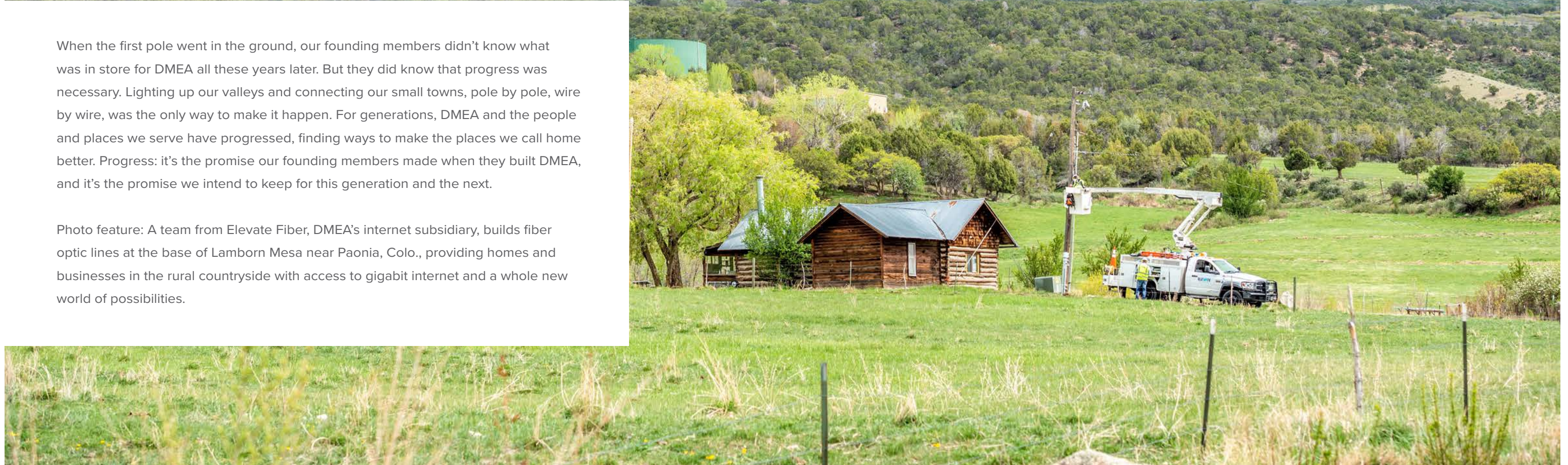


Progress: [proh-gres] v

to go forward or onward in space or time; to grow or develop, as in complexity, scope, or severity; to advance

When the first pole went in the ground, our founding members didn't know what was in store for DMEA all these years later. But they did know that progress was necessary. Lighting up our valleys and connecting our small towns, pole by pole, wire by wire, was the only way to make it happen. For generations, DMEA and the people and places we serve have progressed, finding ways to make the places we call home better. Progress: it's the promise our founding members made when they built DMEA, and it's the promise we intend to keep for this generation and the next.

Photo feature: A team from Elevate Fiber, DMEA's internet subsidiary, builds fiber optic lines at the base of Lamborn Mesa near Paonia, Colo., providing homes and businesses in the rural countryside with access to gigabit internet and a whole new world of possibilities.



Generation Next

Jasen Bronec and Bill Patterson

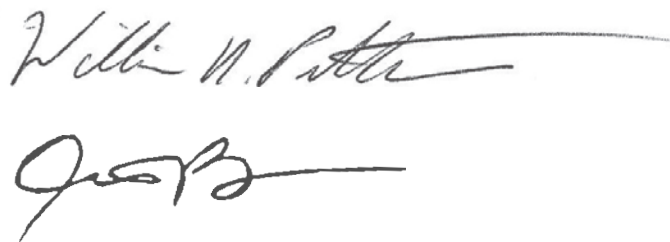
What's next? It's a question we ask ourselves every day. Whether we're thinking about the next generation of leaders, technology, communications, or energy resources, DMEA is always looking forward.

In 2017, we continued modernizing the grid that brings you power. Our supervisory control and data acquisition system – we call it SCADA – allows us to use technology to monitor our power system. By using a combination of advanced software and upgraded equipment in the field, like the meters on your home, we can monitor things like voltage, power interruptions, and more. So what does that mean for you? It means we are able to minimize the size and duration of power outages. Plus, our grid is ready to support new programs like real-time pricing and appliance control programs.

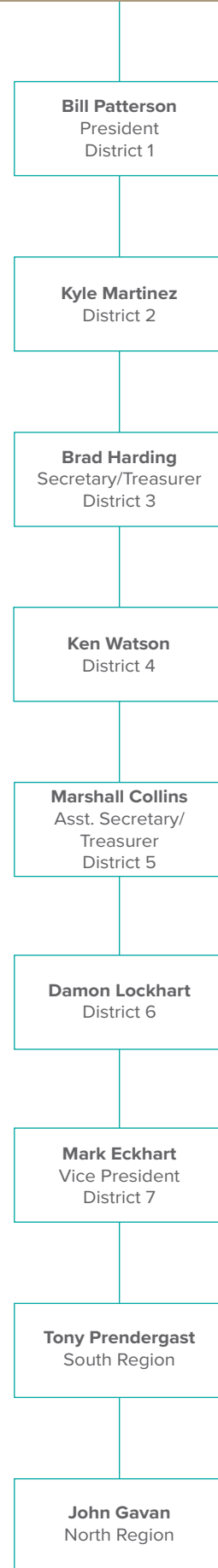
Our pursuit of incorporating more locally generated renewable energy into our power supply continued throughout 2017. The bulk of our effort was directed at assessing the costs of potentially withdrawing from Tri-State Generation and Transmission Association Inc., (Tri-State). Tri-State has been DMEA's reliable wholesale power supplier for 26 years. However, as your member-owned co-op, it is our duty to analyze any power supply options that can save money. That means exploring all power supply possibilities and being ready to take advantage of those when we see a benefit for our members.

And then there is this little thing called Elevate Fiber. Maybe you've heard of it? We started 2017 with just 186 customers in Paonia. By year end, we had connected 2,402 customers to our fiber network. It was the support and passion of our members that made it possible to expand our fiber network into Montrose, Orchard City, and Cedaredge. While many of us still can't binge watch our favorite show without buffering, it's amazing to watch our area move forward together. Truly high-speed internet is setting us up for a successful future.

So, what's next? We think some pretty great things.



Board of Directors



Members
27,878



Meters
33,241



Miles of line
3,306



Employees
DMEA 103 Elevate 11



Total energy consumed
542,733,565 kWh



Management Team

Jasen Bronec
Chief Executive Officer

Virginia Harman
Chief Operating Officer

Wade Pynes
Chief Financial Officer

Kent Blackwell
Chief Technical Officer

Steve Metheny
Chief Power Supply Officer



Energy Services

LED light bulb rebates

\$19,863



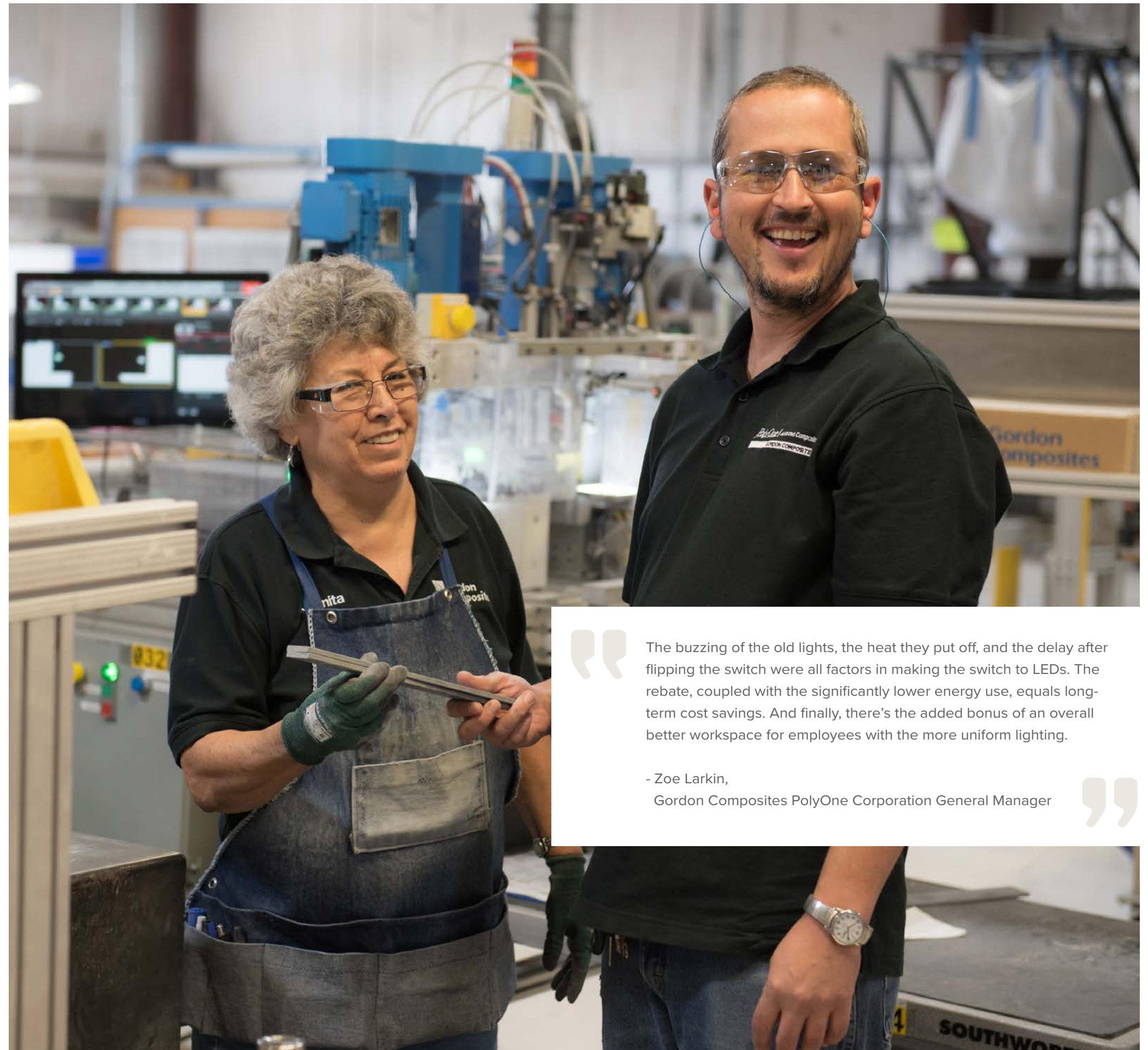
2017 Energy Savings Programs

Energy Star appliances rebates	\$29,200
Commercial lighting rebates	\$112,981
Total number of rebates given.....	1,366
Total rebates paid to members.....	\$200,277
Energy audits completed	73
Community solar generation.....	330,218 kWh
Net metered members.....	415
Paperless members.....	13,177
Trees saved.....	56.9

It's no secret that DMEA offers a plethora of energy savings programs, from appliance rebates to energy audits. What you may not realize is behind all those numbers you see above are real members who, with the help of our energy savings programs, were able to save energy and save money.

One such member is Gordon Composites PolyOne Corporation. This Montrose-based manufacturing company took top honors in 2017, receiving the largest rebate of the year: \$15,015 for LED lighting. Gordon Composites swapped out their old lights, mostly high-bay metal halides and fluorescents, to new LED tube lighting. With an expected energy savings of almost \$2,000 per month, plus the rebate, the new lights will pay for themselves in less than two years.

The moral of the story? Our energy savings programs can help real people – and businesses – save energy and money while taking advantage of new technologies. Give them a try.



The buzzing of the old lights, the heat they put off, and the delay after flipping the switch were all factors in making the switch to LEDs. The rebate, coupled with the significantly lower energy use, equals long-term cost savings. And finally, there's the added bonus of an overall better workspace for employees with the more uniform lighting.

- Zoe Larkin,
Gordon Composites PolyOne Corporation General Manager





OPERATIONS & ENGINEERING

Chances are when you think about how we build, repair, and maintain our power lines, you think of bucket trucks and linemen climbing power poles. And while those are definitely two main players when it comes to keeping our grid reliable, we also take to the sky each year to patrol our lines and equipment. To do so, DMEA journeymen linemen ride along with a pilot from Mountain Blade Runner of Montrose. As they fly above DMEA's system, linemen look for visual clues such as damaged or worn equipment – a particularly efficient and effective way to patrol mountainous and hard to reach terrain. They also use thermal imaging technology to identify literal “hot spots.” Heat can signify areas that need attention because equipment will begin to heat up with even just minor damage or wear.



Our aerial line patrol program gives us the ability to inspect our power system in some pretty remote places. It's more efficient and effective to patrol our mountainous terrain from above, so our crews can scan for damaged or worn equipment. It is an important preventative maintenance tool that lets us identify red flags before they impact service to our members.

- Troy Hall,
DMEA Operations Manager



2017 Power System Stats

Number of lineworkers	28
New system design jobs	629
New meters added	400
Poles inspected	3,516
Poles trussed.....	48
Poles replaced	225
Peak system demand.....	92,154 KW

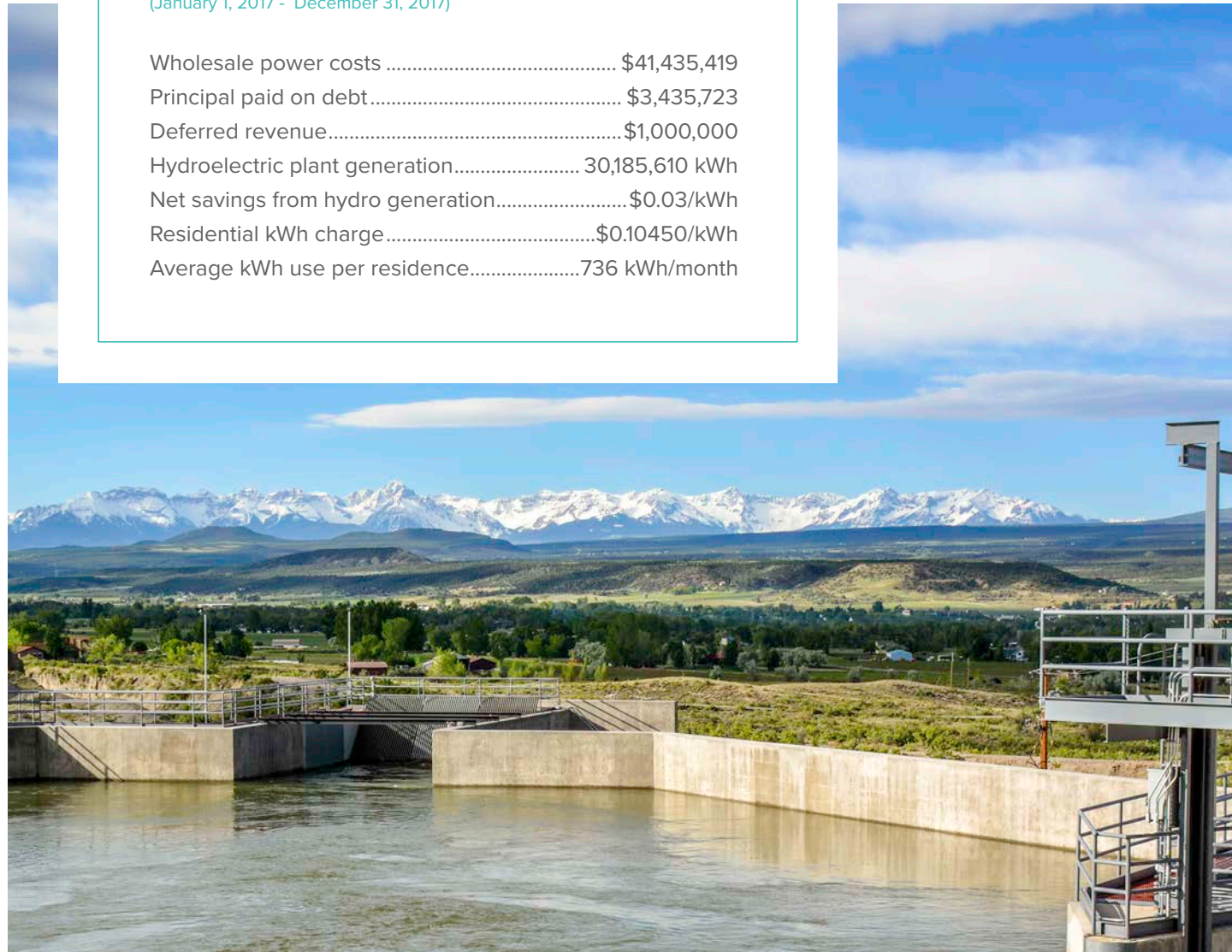


Financial Statements

2017 Financials

(January 1, 2017 - December 31, 2017)

Wholesale power costs	\$41,435,419
Principal paid on debt.....	\$3,435,723
Deferred revenue.....	\$1,000,000
Hydroelectric plant generation.....	30,185,610 kWh
Net savings from hydro generation.....	\$0.03/kWh
Residential kWh charge.....	\$0.10450/kWh
Average kWh use per residence.....	736 kWh/month



Consolidated Balance Sheet*

Assets	2017	2016
Utility Plant		
Electric plant in service	187,394,553	164,617,009
Other property and equipment	1,513,866	3,946,563
Construction work in progress	11,372,272	10,562,464
Less accumulated depreciation	-77,963,878	-73,093,339
Total Utility Plant	\$122,316,813	\$106,032,697
Investments & Other Property	\$52,372,000	\$51,227,050
Current Assets		
Cash and cash equivalents	11,503,995	12,058,952
Receivable & unbilled revenue	11,680,947	9,922,361
Materials and supplies	3,780,568	2,821,326
Other current & accrued assets	414,765	111,740
Total Current Assets	\$27,380,275	\$24,914,379
Deferred Debits	\$5,989,966	\$5,098,388
Total Assets	\$208,059,054	\$187,272,514
Liabilities & Equities	2017	2016
Capital Equities		
Patronage capital	91,119,024	89,086,872
Other equities (deficit)	8,809,024	8,713,501
Total Equities	\$99,928,048	\$97,800,373
Long Term Debt	\$86,377,762	\$68,458,491
Current Liabilities		
Current maturities of long-term debt	3,570,639	3,348,410
Accounts payable	6,624,813	6,984,238
Accrued taxes	872,001	816,982
Employee compensated absences	1,567,352	1,570,688
Accrued interest	475,178	432,884
Other current liabilities	167,117	61,559
Total Current Liabilities	\$13,277,100	\$13,214,761
Deferred Credits	\$8,476,144	\$7,798,889
Total Liabilities and Equities	\$208,059,054	\$187,272,514

Consolidated Statement of Income & Patronage Capital*

	2017	2016
Operating Revenues		
Electric energy revenue & gross sales	61,661,264	60,478,992
Miscellaneous revenue	4,083,624	3,923,210
Total Operating Revenues	\$65,744,888	\$64,402,202
Operating Expenses		
Cost of power & goods sold	41,438,786	40,644,368
Power production	711,004	705,496
Operating expenses - transmission	485,605	443,060
Operating expenses - distribution	3,694,804	3,390,449
Maintenance of distribution plant	2,279,539	2,008,048
Customer accounts	1,860,366	2,248,821
Other customer expenses	983,254	743,333
Administrative and general	6,407,025	5,779,852
Depreciation	5,754,390	5,400,284
Other deductions	684,899	486,094
Total Operating Expenses	\$64,299,672	\$61,849,805
Operating Margins-before fixed charges	\$1,445,216	\$2,552,397
Fixed Charges-interest on long-term debt	\$2,632,163	\$2,477,175
Operating Margins-after fixed charges	(1,186,947)	\$75,222
Capital Credits	\$2,715,537	\$1,389,485
Net Operating Margins	\$1,528,590	\$1,464,707
Non-Operating Margins		
Interest revenue	380,369	458,420
Gain/loss on disposal of assets	-118,493	51,818
Other non-operating revenue	-67,628	-126,133
Provision for income tax expense	492,998	
Total Non-Operating Margins	\$687,246	\$384,105
Net Margins	\$2,215,836	\$1,848,812
Patronage capital - beginning of year	89,086,872	87,879,324
Transfer to other equities	7,228	-313,339
Patronage capital retired	-190,912	-327,925
Patronage Capital - end of year	\$91,119,024	\$89,086,872

* Review the full independent auditor's report online at www.dmea.com/content/financial-statements.

Three reasons to love small hydro

It's local: While DMEA generates some of its own hydropower using turbines along the South Canal in Montrose, we also purchase additional hydropower from local companies like the Uncompahgre Valley Water Users. This means more of our dollars spent for wholesale power stay in our community.

It's economical: The hydropower we purchase from local suppliers is approximately 17% cheaper than the power we purchase from Tri-State.

It's environmental: The fuel source for hydropower is water. The byproduct? Also water. The hydro plants we generate and purchase electricity from are considered run-of-river systems, meaning that the water passing through them is directed back into the stream with little impact on the surrounding environment.

2017 ELECTRIC REVENUE



Residential, 55.4%



Small Commercial, 25%



Large Commercial, 13.1%



Other Electric Revenue, 5.7%



Public Authorities & Lighting, 0.8%

Community

A community is more than streets, houses, and stores: more than a zip code. We think a community is a reflection of the people who live there. And it's those people, our members, who drive us to find new ways to serve. For us, service doesn't always mean electricity either. It means build days with Habitat for Humanity of the San Juans. It means serving meals to those in need at Montrose Methodist Church Sunday dinners. It means ringing the holiday bells for Salvation Army, blood drives, coaching Special Olympics, teaching Bible school, and so much more.

2017 Community Impact

Scholarships	\$39,500
Sponsorships.....	\$22,099
Operation Round Up donations	\$56,429
Unclaimed capital credit donations.....	\$140,284



“ Concern for community: it's one of the seven cooperative principles that guides DMEA. When we're able to go out in our community and give back we get to refocus on what really matters: people. We're here to serve and that is what inspires us daily.

- Becky Mashburn,
DMEA Communications and Marketing Manager ”

ELEVATE

Bridging the Digital Divide

Telemedicine, graphic design, finance, education, web development, eCommerce, videography, cybersecurity, Bitcoin mining, architecture, and engineering: These are just a few of the occupations that offer workers the flexibility to work from anywhere. Elevate's fiber network is paving the way for Montrose and Delta counties to attract remote workers in these fields. We're connecting our communities to the world and, in doing so, putting our valley on the map for entrepreneurs, digital nomads, independent consultants, and the like.

In 2017, we built out and lit up five new zones, serving an additional 2,216 homes and businesses. We closed the year with our last home install at Gary Cooper's Montrose home. A local realtor and family-man, Gary appreciates being able to get a top-notch service from a local company. Right back at you, Gary.

2017 Elevate Milestones

Total miles of fiber	366
Total live customers	2,402
Average up time*	100%
Employees.....	11
Progress to full build out	13%
Average new customers per week.....	43

*Average up time refers to Elevate's core network, which is considered to be the backbone fiber and main system routers, not individual service drops at your home or business.



The most marked difference since getting Elevate has been the silence. No more shouts of frustration from my children about buffering when they're trying to do their homework. Life is good.

- Gary Cooper,
Last Elevate customer connected in 2017





ELEVATE

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