



# 2014 ANNUAL REPORT

DELTA-MONTROSE ELECTRIC ASSOCIATION



Olen Lund  
Board President

## Message from the Board President

The last year was a busy one for DMEA. In May 2014, Jasen Bronec started as our new CEO and two new board members were elected by the membership. We elected a new Tri-State Board Member, Bill Patterson, and I was elected president of the DMEA Board. So the past year has been quite a learning experience for all of us! Still, we have accomplished a lot.

A few of the highlights since our last annual meeting follow. In May 2014, DMEA entered litigation with the City of Delta over territorial disputes. DMEA's action seeks damages, as well as declaratory relief relating to Delta's annexation of a portion of our service area. The case is currently being appealed in the Colorado Court of Appeals. DMEA is committed to contesting this issue given its potentially far-reaching implications. DMEA received \$52,500 in assistance from the Cooperative Finance Corporation (CFC) System Integrity Fund and is pursuing financial help from the Colorado Rural Electric Association (CREA) to continue this effort.

In July 2014, we developed a strategic plan to prioritize our goals and objectives, which led to many new initiatives. In October 2014, we filed a petition for a declaratory order with the Federal Energy Regulatory Commission (FERC) asking for clarification of the Public Utility Regulatory Policies Act of 1978. Specifically, we asked if the provision mandating the purchase of electricity from small, renewable generating sources (Qualifying Facilities) applies directly to DMEA. If FERC offers clarification in our favor, DMEA has the opportunity to expand and solidify our wholesale electricity source portfolio with more local generation and encourage local economic growth.

As part of our continual effort to better serve you, we reinstated live phone answering in December 2014. Our customer service representatives (CSRs) now answer 9,000 to 10,000 calls per month. They are maintaining about a 90% live-answer rate. The first half of 2015 brought even more changes in customer service. This February we re-staffed our Read Service Center part time with CSRs to better serve our members in Delta County.

DMEA is currently researching the best way to use our fiber-optic network to help bring broadband to our service area. We conducted a member survey in the first quarter of 2015, which indicated a significant interest in DMEA providing broadband service to our members. We've partnered with local government entities and Region 10 to request funds from the Colorado Department of Local Affairs to help us bring broadband to our service area. Staff has been working with consultants to develop an extensive business plan to aid the board in making the decision of how to address this need, while maintaining our fiduciary responsibility to all of our members.

In an effort to offer our members a more flexible payment option and encourage energy efficiency, we launched *My Choice*, a voluntary prepay program, in May of this year. In the first month, we had more than 40 members sign up. The DMEA Board of Directors understands that the company is owned by the members, and we try to provide those services you desire while always being mindful to keep the company as efficient as possible. We will continue to improve the company for your benefit.

“Your DMEA Board works continually to make DMEA the best electric co-op it possibly can be, and we remember that our members are number one!”

Olen Lund, DMEA Board President



## CO-OP FACTS & FIGURES

Members .....	27,298
Meters.....	32,424
Date of incorporation .....	1938
Counties served .....	Montrose, Delta, Gunnison
Board meetings.....	Third Tuesday each month
Power supplier .....	Tri-State G&T
Kilowatt hours sold in 2014 .....	576,624,435



Jasen Bronec  
Chief Executive Officer

### Message from the CEO

Delta-Montrose Electric Association (DMEA) is proud to celebrate 77 years of service. Beginning in 1935, with the establishment of the Rural Electrification Administration (REA), the federal government and rural Americans worked together to form cooperatives and build an electric infrastructure that remains one of our nation’s greatest achievements. The vision of this collaborative effort was to provide reliable and affordable electric energy to rural areas across our nation.

Today, DMEA’s vision still echoes the original call of meeting the needs of rural America during changing times. In today’s unpredictable, rapidly changing energy industry we look out for the best interests of our member-owners by: Ensuring the safety of our members and employees. Providing members with competitive rates, balanced with quality service and reliability. Maximizing efficiencies operationally and through energy efficiency and conservation. Supporting our local communities by assisting in economic development through in-kind services. Being nimble as we investigate and pursue energy options to manage rising energy costs.

One of our top priorities is to constantly listen to you, our member-owners. As employees, we have one, simple business rule – what is good for our members is good for the cooperative. This helps us be more responsive to your needs. We continue to hear the message that times are tough and affordability matters.

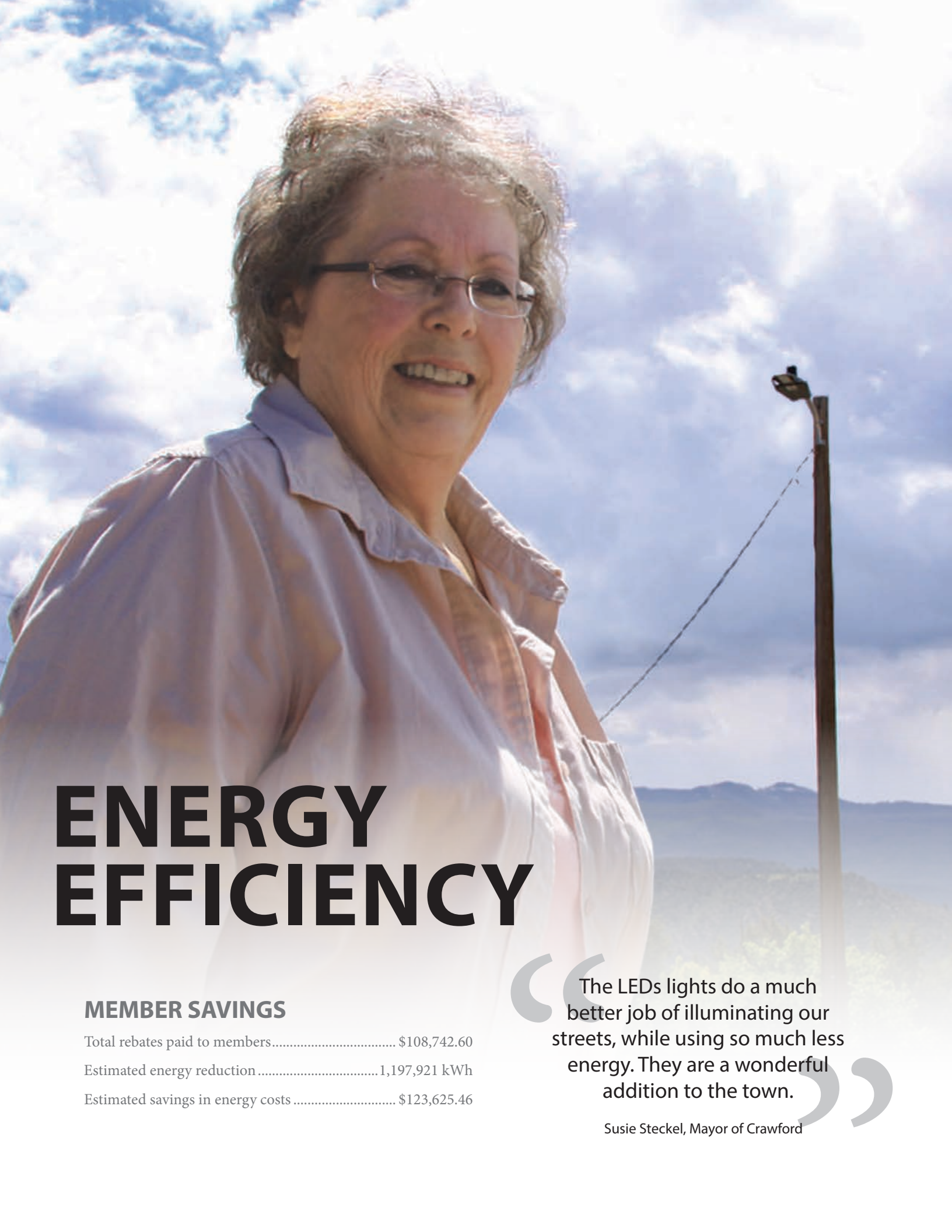
We at DMEA recognize the economic pressures our members face and we are committed to keeping rates as low as possible, while still providing safe, reliable electricity. In 2015, we will help by having “No Rate Increase” through the end of the year and into 2016. Through the leadership of our board and the sound financial practices of our staff, we are working hard to maintain stable rates for our membership. To help maintain this stability, in 2014 DMEA focused on four key financial goals: maintaining key lending ratios, protecting member equity, offering stable and equitable rates, and retiring capital credits. DMEA has met or exceeded all of these goals.

For example, the required lending ratios: debt service coverage ratio of 1.35 and times interest earned ratios of 1.25, were surpassed respectively at 1.97 and 2.36. DMEA has maintained a strong equity level of 56%. Furthermore, we made strong financial gains by reducing long-term debt by \$2,666,000, returning \$1,996,000 in capital credits to our members, and deferring \$1,750,000 in revenue to offset future rate increases.

Regardless of our efforts to maintain stable rates, DMEA continues to experience cost increases in wholesale power, materials, labor, and necessary system improvements. Despite the continually rising cost of doing business, DMEA has kept our member rate increases well below the rate increases taken by other entities that provide gas, electric, and water utilities. On a national level, DMEA has some of the lowest controllable operating costs and very competitive rates.

Wholesale power expenses account for approximately 70% of all DMEA costs. We are closely monitoring long-term power supply options and increased costs from our wholesale power provider, Tri-State Generation and Transmission Association (Tri-State). We are actively engaged in policy development and cost management measures within Tri-State. As one of 44 members within Tri-State, DMEA works hard to direct policy, control costs, and influence future resource development that will benefit our members.

DMEA continues to look out for the best interests of our members and is in a great position to continue to serve our members and communities. We at the cooperative strive to bring value and improve the quality of life to our members and the communities we serve. As always, if anyone has questions about the operations of the cooperative, please call, write, or stop by anytime. The door is always open.



# ENERGY EFFICIENCY

## MEMBER SAVINGS

Total rebates paid to members.....	\$108,742.60
Estimated energy reduction .....	1,197,921 kWh
Estimated savings in energy costs .....	\$123,625.46

“ The LEDs lights do a much better job of illuminating our streets, while using so much less energy. They are a wonderful addition to the town. ”

Susie Steckel, Mayor of Crawford

## Crawford Lights the Way with LEDs

In December 2014, the Crawford Town Council voted to participate in DMEA's LED Street Light Pilot Program in order to replace their existing streetlights with super-efficient LEDs. By doing so, the town will save more than \$3,700 annually in electricity costs and slash their energy consumption by 15,000 kilowatt hours.

Crawford swapped out their old lights for 38-watt LED fixtures, replacing 34 lights in total. Twenty-seven of those old lights were 175-watt mercury vapor and seven were 100-watt high-pressure sodium.

Crawford's old streetlights were costing the town more than \$6,400 a year. In contrast the LED fixtures should cost less than \$3,000 a year to operate, and the town will see a complete return on their investment in just 23 months. After that, all they'll see is savings.

"Our LED installations in Crawford and Montrose demonstrate the high quality light and substantial energy savings that LED streetlights provide. We hope all of our communities can eventually follow suit. These energy-saving technologies help our towns and cities reduce consumption and save money," said Phil Zimmer, DMEA Energy Services Supervisor.



Above: DMEA Energy Services Specialist, Phil Zimmer, displays the 38-watt LED streetlight installed in Crawford.

Left: Crawford Mayor, Susie Steckel, stands near a newly installed LED streetlight in Crawford.

## Crippins Focus on Home Efficiency

Kelly and Carla Crippin of Montrose constructed a new home in 2014 and along the way installed two GeoExchange systems, a marathon hot water heater, LED lighting, and Energy Star appliances. The upfront costs of such energy efficient equipment can be daunting, but the Crippins were able to offset some of that cost through DMEA's rebate program. They received \$2,260 in efficiency rebates and will continue to see savings in the form of low energy bills.



Above: Kelly Crippin stands between his new Marathon water heater and his new GeoExchange heating and cooling system.

## Brown's Shoe Fit: Efficient Lighting

Joe Saunders owns a historic building in downtown Montrose that is home to longstanding business Brown's Shoe Fit. In 2014, he upgraded to high-efficiency lights which cut his energy costs by roughly \$800 per year. Plus, Saunders received a \$617.50 rebate from DMEA. This project increased the property value and Saunders' ability to attract and retain reliable renters. For his tenant, Brown's Shoe Fit, it meant lower electric bills, more financial stability, and a better opportunity for continued success.

## Save with DMEA's SmartHub

More than just an online bill pay system, SmartHub also allows you to access detailed energy use information.

Yearly, monthly, and even hourly comparisons of a your energy use is available. This data can help you identify trends, spikes, or abnormalities. Plus, knowing when energy is being consumed allows you to better understand what behaviors you could change to save energy and money.

Other SmartHub features include 24/7 bill pay, payment history, budgeting assistance, bill comparisons, and tools to understand your energy use data. Sign up for SmartHub at <https://dmea.smarthub.coop>.





# OPERATIONS

## CORE BUSINESS

Miles of line.....	3,265
Members per mile .....	8.4
Number of poles inspected in 2014 .....	3,367
Numbers of poles reinforced in 2014.....	171
Poles replaced per inspection in 2014 .....	33
Miles of fiber installed in 2014 .....	18.85

“Our line crews are committed to providing quality service and reliable electricity to our member-owners. Technology makes them better equipped do that safely and efficiently.”

Doug Cox, Operations Manager

## Fiber Phase 1 Complete

In 2014, DMEA crews installed 18.85 miles of fiber optic cable connecting the co-op's office headquarters in Montrose to the satellite office in Read. This route also allowed DMEA to connect to the Olathe, Peach Valley, Garnet Mesa, Bullock, North Mesa, and Gunnison Valley substations.

That fiber is now a communication highway for DMEA that transfers large amounts of data, such as system voltage and amperage information. It also allows us to monitor our network of power lines and substations, and operate critical protective and system control devices. This is important because DMEA's power distribution system involves many remotely controlled pieces of equipment that directly affect reliability. A completed fiber network means the co-op can use these technologies to their fullest potential and improve service to our members.



## Rebuilding for the Future

In 2014, the co-op completed two significant line upgrades. An aging single phase line on Steward Mesa was removed. In its place DMEA installed a new 2.1-mile three phase power line that would better accommodate the growing member load. This allowed DMEA to shift some of the electricity being carried to member homes off of substations and power lines that had reached their maximum capacity to the new line.

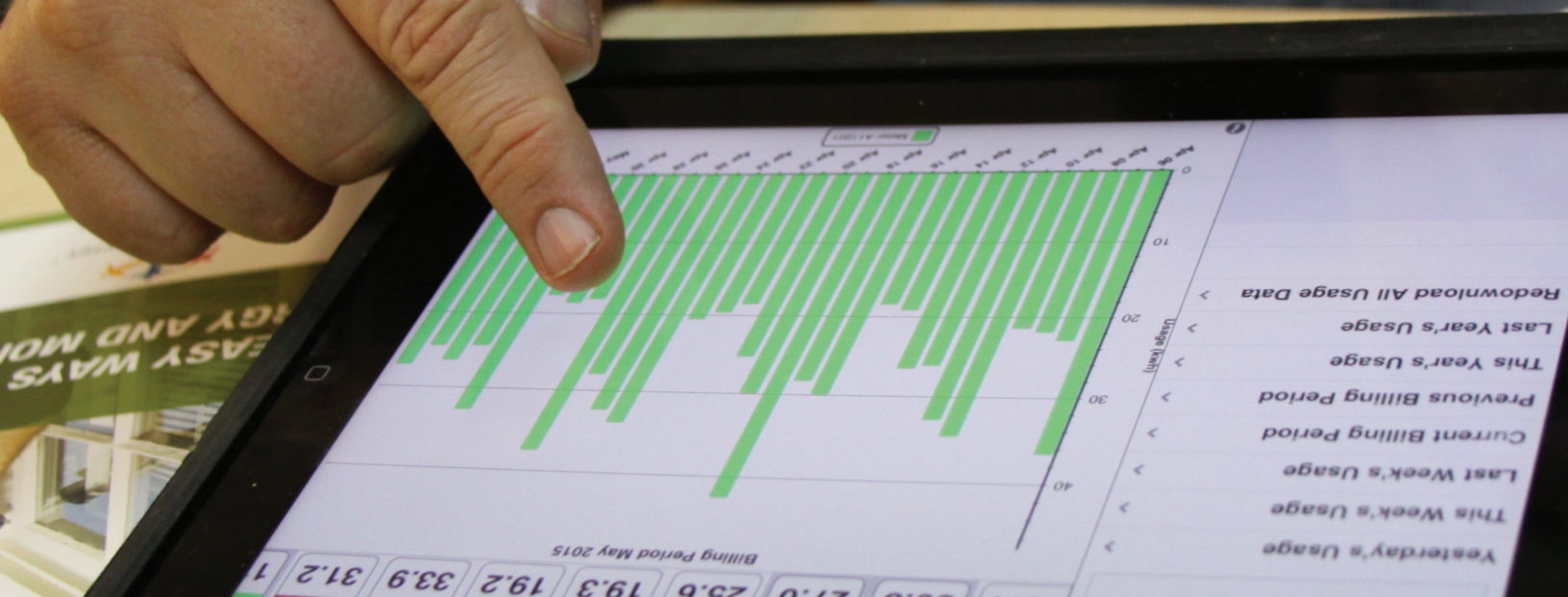
Another important power line rebuild took place in Montrose on Sunnyside Road. DMEA replaced an old, inaccessible line with a new 1.6-mile three-phase power line closer to the road. This completed a much-needed network of connections between the co-op's East Montrose Substation and substations throughout the town. This addressed balancing member loads to improve reliability and additional room to grow. It also provided new options for backup feeds during outage situations.

## Looking out for the Community

Our linemen work hard to keep your life powered up 24/7, but they don't stop there. Each year, DMEA's operations department spends countless hours educating the community about electrical safety. In 2014, crews provided high voltage safety demonstrations to numerous organizations, including area elementary and high schools, Montrose Youth Appreciation Day, and Cedaredge Applefest.

DMEA's linemen were also on-hand to assist our communities for special events and projects. For example, last year they installed temporary power services for various events, such as the Hotchkiss Sheep Dog Trials, Black Canyon Car Show, Olathe Sweet Corn Festival, and Montrose Relay for Life. They also helped the Delta High School replace backstops at the baseball field and hang a street banner for Paonia Cherry Days.





# FINANCIAL REPORT

Technology allows DMEA to provide additional services to our members that can help them save money and improve their quality of life, all while keeping the cooperative financially stable.

Corey Thurlow,  
Manager of Finance & Accounting

## Consolidated Balance Sheet

Assets	2014	2013
<b>Utility Plant</b>		
Electric plant in service	168,968,346	150,667,654
Other property and equipment	1,767,825	1,774,628
Construction work in progress	3,021,400	18,712,032
Less accumulated depreciation	-64,528,656	-60,836,150
<b>Total Utility Plant</b>	<b>\$109,229,006</b>	<b>\$110,318,164</b>
<b>Investments &amp; Other Property</b>	<b>\$49,317,143</b>	<b>\$48,196,182</b>
<b>Current Assets</b>		
Cash and cash investment	8,898,241	9,152,703
Accounts receivable & unbilled revenue	10,210,294	11,228,507
Materials and supplies	2,490,541	2,713,070
Other current & accrued assets	115,705	109,571
<b>Total Current Assets</b>	<b>\$21,714,781</b>	<b>\$23,203,851</b>
<b>Deferred Debits</b>	<b>\$364,763</b>	<b>\$10,604</b>
<b>Total Assets</b>	<b>\$180,625,693</b>	<b>\$181,728,801</b>
<b>Liabilities &amp; Capital</b>	<b>2014</b>	<b>2013</b>
<b>Capital Equities</b>		
Patronage capital	88,553,802	87,875,766
Other equities (deficit)	7,059,457	7,979,635
<b>Total Capital Equities</b>	<b>\$95,613,259</b>	<b>\$93,855,401</b>
<b>Long Term Debt</b>	<b>\$69,207,045</b>	<b>\$73,895,316</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt	2,735,742	2,920,735
Accounts payables	5,216,116	5,021,485
Accrued taxes	957,322	1,003,013
Accrued employee compensated absences	1,435,829	1,632,244
Accrued interest	94,941	101,363
Other current liabilities	76,302	75,935
<b>Total Liabilities and Equity</b>	<b>\$10,516,252</b>	<b>\$10,754,775</b>
<b>Deferred Credits</b>	<b>\$5,289,137</b>	<b>\$3,223,309</b>
<b>Total liabilities and capital</b>	<b>\$180,625,693</b>	<b>\$181,728,801</b>





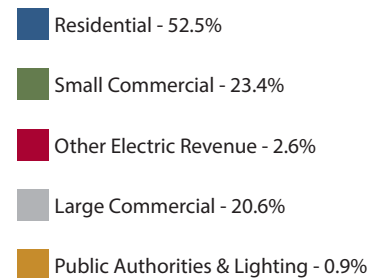
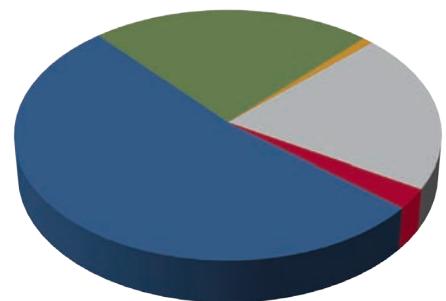
## DMEA BY THE NUMBERS

Capital credits paid to members.....	\$1,995,972
Wholesale power costs.....	\$42,016,045
Operating margins .....	\$776,946
Principle paid on debt.....	\$2,666,000
Deferred revenue .....	\$1,750,000
Hydroelectric generation.....	26 million kWh
Net savings from South Canal Hydroelectric generation .....	\$604,692

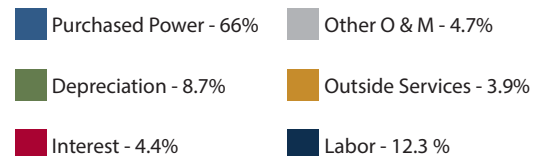
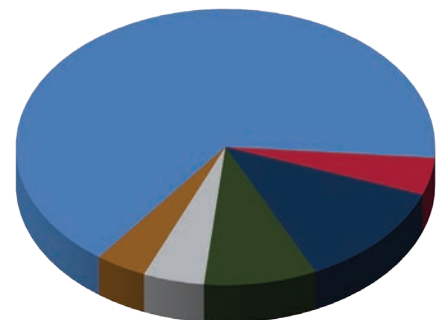
## Statement of Revenue & Patronage Capital

	2014	2013
<b>Operating Revenues</b>		
Electric energy revenue & gross sales	62,758,356	63,526,143
Miscellaneous revenue	1,728,755	1,762,917
<b>Total Operating Revenues</b>	<b>\$64,487,111</b>	<b>\$65,289,060</b>
<b>Operating Expenses</b>		
Cost of power & goods sold	42,016,045	44,886,421
Power production	752,149	73,869
Operating expenses - transmission	394,028	617,033
Operating expenses - distribution	3,562,802	3,567,659
Maintenance of distribution plant	1,804,412	1,749,987
Customer accounts	1,644,608	1,487,119
Other customer expenses	531,883	567,146
Administrative and general	4,668,385	4,327,857
Depreciation	5,549,728	4,952,423
Other deductions	17,652	102,666
<b>Total Operating Expenses</b>	<b>\$60,941,692</b>	<b>\$62,332,180</b>
<b>Operating Margins - before fixed charges</b>	<b>\$3,545,419</b>	<b>\$2,956,880</b>
<b>Fixed Charges - interest on long-term debt</b>	<b>\$2,767,473</b>	<b>\$2,660,198</b>
<b>Operating Margins - after fixed charges</b>	<b>\$777,946</b>	<b>\$296,682</b>
<b>Capital Credits</b>	<b>\$2,652,082</b>	<b>\$3,328,551</b>
<b>Net Operating Margins</b>	<b>\$3,430,028</b>	<b>\$3,625,233</b>
<b>Non-Operating Margins (loss)</b>		
Interest revenue	318,049	241,579
Gain/loss on disposal of assets	19,519	-344,563
Other non-operating revenue	-13,765	368,793
<b>Total Non-Operating Margins</b>	<b>\$323,803</b>	<b>\$265,809</b>
<b>Net Margins</b>	<b>\$3,753,831</b>	<b>\$3,891,042</b>
Patronage capital - beginning of year	87,875,766	85,864,040
Transfer to other equities	-318,059	-643,443
Patronage capital retired	-2,757,736	-1,235,873
<b>Patronage capital - end of year</b>	<b>\$88,553,802</b>	<b>\$87,875,766</b>

## 2014 Revenue



## 2014 Expenses





# COMMUNITY

## Helping HopeWest Grow

Grant funding from DMEA allowed HopeWest to double the staffing for HopeWest Kids in Montrose and Delta counties through the hiring of a second half-time counselor. The grants in both counties covered a significant portion of the new counselor's first-year salary and benefits. Expenses incurred for the expanded services, counselor travel, supplies and technology were also covered by DMEA's generosity. In the past, only one, half-time counselor served grieving children and teens in these rural counties covering nearly 3,400 square miles.

Program-wide, HopeWest Kids served 694 children and teens on the Western Slope. In Delta County, HopeWest hired Maggie McCullough, MSW, as a part-time HopeWest Kids counselor and part-time adult bereavement counselor. This compassionate and enthusiastic young woman is a tremendous asset to the program.

Now for the first time, HopeWest Kids has a local counselor in Delta County who is building key relationships with school personnel, youth services, and social services to help identify and serve grieving children. In her first several months, Maggie initiated 4 school grief groups, a support group for at-risk teens, and provided resources to a private academy serving 400 children. Nearly 20 children and teens also received individual counseling in Delta County. This level of support was made possible was made possible by DMEA's generosity.

Hiring Maggie allowed Shirley Harvey, our HopeWest Kids counselor and adult bereavement counselor in Montrose, to concentrate her efforts on serving children and teens in Montrose County.

Only one year ago, Shirley could spend only 20 hours per week serving both counties, including travel time. Now, each counselor is based locally, and the results are tremendous. In Montrose, 76 children and teens received support. Most attended school grief support groups, and 12 attended individual counseling sessions.

Beginning in October, 29 children and teens were served in Delta County. Again, most attended one of four school grief groups and 16 were served through individual counseling sessions. Additional support was provided through Camp Good Grief and periodic phone calls.

DMEA's generosity helped ensure a positive and healing experience for all those we served last year in Delta and Montrose counties. Your investment in the lives of grieving children indeed makes a significant difference. On behalf of each one, thank you.

Jody Jorns  
HopeWest Development Officer, Delta County

*Above: Jasen Bronec, Olen Lund, Nancy Hoganson (HopeWest), Terry Brown, Tony Prendergast, Jody Jorns (HopeWest), Marshall Collins, Nancy Hovde, Bill Patterson, Jim Elder, and Brent Hines.*

## Connecting with Communities

As a member-owned cooperative, DMEA is more than just your electricity provider. We're also part of your community.

In 2014, DMEA participated in numerous community events such as Youth Appreciation Day and the Montrose Community Resource Fair. In addition to participating, DMEA provided sponsorships for cultural and community events across the service territory. Local parades, county fairs, and summer festivals are just a few of the types of events we supported financially last year.

We also realize that some of our members struggle to make ends meet or are facing hardship. That is why we also supported organizations like Energy Outreach Colorado, Court Appointed Special Advocates (CASA), Delta County Memorial Hospital Foundation, and the Dolphin House.



“DMEA is a cornerstone in the communities we serve. Through sponsorships and donations we are able to better the lives of our members.”

Jasen Bronec, DMEA CEO

## GIVING BACK

Operation Round Up charitable donations.....	\$57,000
Touchstone Energy donations & sponsorships .....	\$22,041
Scholarships .....	\$16,500

## Operation Round Up

In 2014 approximately 29% of DMEA members participated in Operation Round Up. Through the program, members round up their monthly electric bill to the nearest dollar in order to help families and organizations in need. As a result, \$57,000 was given back to local charitable organizations and members in need last year. Notice, the word local – all that money stayed in DMEA's communities.

The funds collected through the round up program are deposited into an independent account. The DMEA Operation Round Up Charitable Trust, composed of member volunteers, distributes those funds on a monthly basis on the co-op's behalf. They review the applications and award donations based on the extent of need and the ability to make a positive impact in our communities.

DMEA thanks the members who served on our 2014 Charitable Trust Board: Marilyn Moll, Penny Sutton, Jeanie Jardine, Bobby Gray, Mike Rich, B. J. Brown, Merna Ray, and Jeanie Brown.

Members can sign up to participate at [www.dmea.com](http://www.dmea.com) or by calling 1-877-687-3632.

## Education

DMEA awarded nine \$1,500 scholarships to deserving college-bound students. DMEA also administered two \$500 scholarships on behalf of Tri-State and two \$1000 scholarships on behalf of Basin Electric. In all, \$16,500 went to support higher education for students in our local communities.

DMEA's scholarship program is funded by the Unclaimed Capital Credit Fund.



Above: Back row - DMEA Board members Jim Elder, Marshall Collins, Olen Lund, Nancy Hovde, Terry Brown, Bill Patterson, and Brent Hines. Front row - scholarship recipients Tristan Littlejohn, Bethany Malievsky, Hannah Schieldt, Caleb Schelle, Clayton Beutler, Kendall Cox, Heidi Weber, Savannah Russell and Katelyn Puderbaugh.



A Touchstone Energy® Cooperative 

**Contact Us:**

1-877-687-3632 | [www.dmea.com](http://www.dmea.com)  
[www.facebook.com/Delta-MontroseElectricAssociation](https://www.facebook.com/Delta-MontroseElectricAssociation)

**Our Offices:**

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Montrose, CO 81401	Delta, CO 81416
M - F, 8am - 5pm	M & W, 9am - 4pm

**DMEA is an equal opportunity provider and employer.**

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W. Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov).