

A scenic landscape featuring a river, green fields, and mountains under a blue sky with white clouds. A large, weathered log lies in the foreground on the right. The text 'A New Ritual' is overlaid in a white, stylized font on the left side of the image.

A New Ritual

2016 Annual Report
Delta-Montrose Electric Association

Board of Directors

Bill Patterson
President
District 1

Kyle Martinez
District 2

Brad Harding
Secretary/Treasurer
District 3

Jim Elder
District 4

Marshall Collins
Asst. Secretary /Treasurer
District 5

Management Team

Jasen Bronec
CEO

Kent Davenport
VP of Engineering

Steve Metheny
VP of Power Supply

Doug Cox
VP of Operations

Terry Brown
District 6

Mark Eckhart
Vice President
District 7

Tony Prendergast
South Region

John Gavan
North Region

Virginia Harman
VP of Member
Relations & HR

John Monday
VP of Broadband
Service & Operations

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A New Rural

Embracing change to improve our quality of life.

Change. It's something we're familiar with at Delta-Montrose Electric Association. I'd even go so far as to say we're good at. Just look how far we've come since 1938 when a small group of ranchers and farmers banded together to found the co-op. Our rural communities, and the people that live here, have always been trailblazers, independent, and strong-willed. It's those qualities that changed our countryside and brought electricity to the valley. Fast forward 78 years and we're changing our rural landscape all over again. This time, bringing high-speed and reliable internet to Montrose and Delta counties.

DMEA launched Elevate Fiber, our wholly-owned internet service provider subsidiary, in June 2016. You might ask why a rural electric cooperative chose to get into this new industry. Foremost, our members asked us to. We asked ourselves that same question while spending years researching the financial feasibility, possible business models, and market competition. We discovered that yes, the market in our area was ripe for improvement; yes, the finances made sense; and yes, there were examples of successful ventures like ours taking place across the country. But, what really hit home was the fact that truly high-speed internet will improve the quality of life for our members. Now, history is repeating itself in a good way—our trailblazing communities found a cooperative way bring in a new essential service.

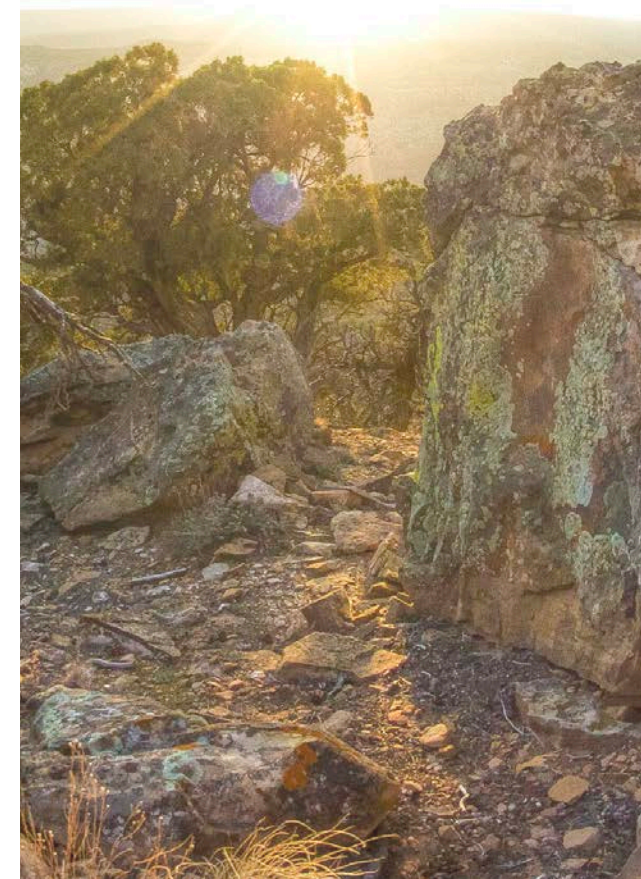
As if launching a new company wasn't enough for us, we embraced changes and challenges in the electric co-op industry as well. Most notably, we continued our quest to facilitate local renewable energy development within our service territory. Building off the 2015 ruling by the Federal Energy Regulatory Commission that says DMEA is obligated under federal law to purchase energy from local qualifying facilities (renewable energy producers that meet certain federal standards), we worked with partners to construct an income-qualified community solar array and added an additional hydropower to our energy mix. We also initiated discussions with our wholesale power supplier, Tri-State Generation and Transmission Association, regarding the feasibility and costs of withdrawing from their membership.

In 2016 we also made a fundamental change to the way we communicate with you, choosing to really focus on listening rather than just telling. That's why you have seen us hosting events like The Morning Buzz or our Member Forums all across our service territory. From coffee shops to breweries to breakfast joints, we're meeting you where you already are. We've been able to connect with many of you one-on-one to answer questions and learn about how we can better serve you.

What other changes the future holds, we don't know yet. What we do know is that just as we have for the past 78 years, we will continue to embrace the changes that bring a better quality of life to the region.



Jasen Bronec
DMEA, CEO



Serving Our Members



Bill Patterson
President

Meeting your needs then, now, and always.

What's the value of belonging to a cooperative? The answer is something we struggle to explain to our members. For starters, very few people understand that they are actually members of DMEA, not customers. As the president of your DMEA Board of Directors, this is something I work to continuously address, because the very existence of the board is the result of you, our members.

Cooperatives, like DMEA, exist across the world and span all types of industries. Consumers that purchase goods or services from cooperatives are members and owners of that cooperative. They are much more than customers. In fact, you as a member of DMEA have a means to govern your co-op, make decisions, and set future goals. How? By electing a nine-member board of directors to represent you and your families needs and interests.

Each year, you cast your vote for three candidates for the DMEA Board. It's not a responsibility to take lightly. As a board member, I've been involved with making decisions about rates, cooperative policies, strategic goals, power supply, and more. These are big decisions that ultimately impact your quality of life. That's why, despite the inevitable change in board members, one thing remains constant: our members are the number one priority.

For more than 78 years, you've tasked the board with making decisions in order to meet your needs as a member—from the first pole in the ground to the first live fiber customer. 2016 proved to be another a year of big decisions for us and another year of working to meet our membership's evolving needs. Our fiber internet subsidiary, Elevate, connected its very first live customers marking, what we believe will be, a monumental shift for the region's future. Elevate is meeting a new need for truly high-speed and reliable internet. Although it will take years to make our service available to the entire territory, it will provide endless opportunities for the sustainability and advancement of our communities. Streaming Netflix without buffering is really just icing on the cake.

Your board will continue to tackle challenges and take advantage of opportunities to meet your needs. All you need to do is keep telling us what those needs are. I'm often asked why DMEA made certain decisions and despite the variety of decisions the board makes, I can always answer the same way: Because our members asked us to.

William W. Patterson

2016 At-a-Glance

Total Members	27,570
Total Active Meters	32,837
Date of Incorporation.....	1938
Counties Served	Montrose, Delta, Gunnison
Miles of Line.....	3,292
Members per Mile.....	8.38
Total Employees.....	98
Kilowatt Hours Sold.....	553,914,032
Annual Meeting Month	June
Power Supplier.....	Tri-State G&T



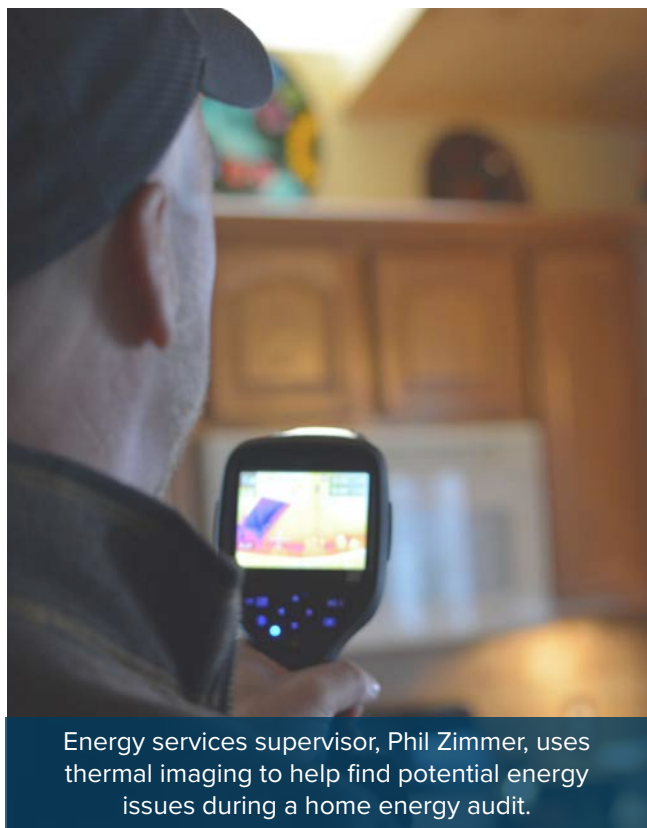
Steve Metheny, VP of power supply, chats with members at The Morning Buzz.





2016 DMEA Member Services & Energy Savings Programs

Energy Star Appliance Rebates.....	\$37,707
LED Rebates	\$44,452
Total Rebates Paid to Members.....	\$138,946
Annual Energy Reduction	1,750,023 kWh
Annual Savings in Energy Costs	\$180,602
Total LED Street Lights Installed.....	452
My Choice Members (Prepay).....	293
SmartHub Users	12,213
Energy Audits Completed	78
Net-Metered Members	366



Energy services supervisor, Phil Zimmer, uses thermal imaging to help find potential energy issues during a home energy audit.

Member Services

Refining How We Help

There are a lot of departments within DMEA. Operations focuses on building and maintaining our power system; engineering designs the system and balances the actual flow of electrons; accounting and finance coordinates billing and keeps our expenses and revenues in check. And then, there's member services, the only department exclusively focused on helping you, the members.

From our front line customer service representatives to our rebate programs to our bill payment options, all of these are put in place to make sure you have the best experience possible when working with DMEA. In 2016, we continued to refine the programs and processes our member services department provides to meet your changing needs.

Energy Auditing

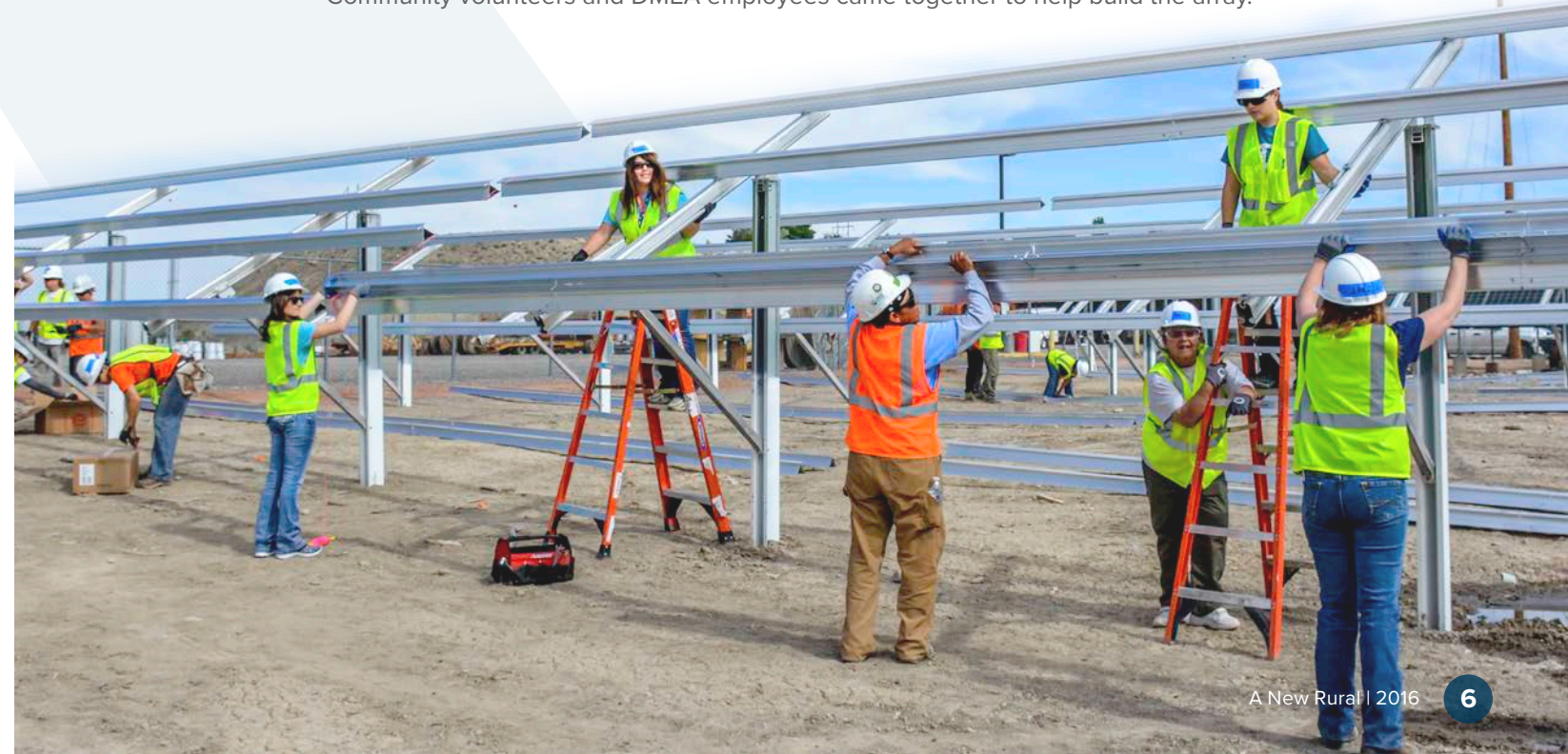
DMEA's energy services team ramped up our auditing services in 2016 providing both comprehensive account reviews and in-home consultations. The ultimate goal: help members with bill concerns fully understand how and when they consume energy. This is an important first step in saving energy.

Welcome To Our Home

We completed a much-needed upgrade to our Montrose Headquarters lobby. The work brought our lobby up to the recommended safety and accessibility standards for both employees and members. Most notably, we created the Elevate Experience Center where you can test out the latest WiFi gadgets on Elevate's 1 Gig connection, learn about streaming movies and TV over the internet, and much more.

Income-Qualified Community Solar Array

In partnership with the Colorado Energy Office and GRID Alternatives, DMEA developed a 115-kilowatt community-owned solar array specifically for members in need. The income-based program helped 41 families cut their bill in half permanently. Community volunteers and DMEA employees came together to help build the array.





Operations & Engineering

Maintaining System Strength

DMEA has been delivering safe and reliable power to the communities in Delta and Montrose counties for 78 years—a fact we're quite proud of. Although our purpose of delivering power from point A to point B has remained constant through the years, the way we deliver power has changed.

Protective equipment worn by our linemen and field employees allows them to work safely on and near high voltage equipment. Sophisticated behind-the-scenes software lets us monitor system voltage, balance electric loads, and identify red flags before they become problems. An educated, skilled, and dedicated team of employees keeps all of these pieces working together.

Trimming to Prevent

In 2016, we deployed a vigorous vegetation management program and are now aggressively trimming or removing trees and vegetation located within our power line rights-of-way. Tree limbs falling into power lines, vines growing into equipment, and landscaping that prevents access to ground equipment reduces our ability to provide safe and reliable power. Our improved process prevents tree-related blinks and outages all across the system. Additionally, it helps enable an exceptional standard of reliability for Elevate's internet service.

Going with the Flow

In July 2016, a small hydroelectric generation station along South Canal, called Drop 5, became operational. Owned and operated by the Uncompahgre Valley Water Users Association, the 2.4-megawatt unit sits just southwest of Montrose and pumps out enough electricity for about 1,800 homes. DMEA secured the purchase of the energy produced by the plant for the next 20 years.

2016 Power System Stats

New System Design Jobs	516
New Meters Added	307
Poles Inspected in 2016	4,040
Poles Trussed in 2016	135
Poles Replaced	175
Peak System Demand	101,957KW



Drop 5, a 2.4-megawatt hydroelectric plant, came online in July 2016. It's just one of DMEA's local renewable energy resources.



Financials

Financials At-a-Glance

(as of December 31, 2016)

Wholesale Power Costs	\$40,644,368
Operating Margins	\$1,464,707
Principal Paid on Debt	\$3,029,543
Deferred Revenue	\$750,000
Hydroelectric Generation	28,299,520 kWh
Net Savings From Hydro Generation.....	\$.0239/kWh
Residential kWh Charge.....	\$.10320kWh
Avg. kWh Per Residence	748 kWh/month



Energy services supervisor, Phil Zimmer, shows a member how to access their account online using SmartHub. This one-stop-shop lets members pay their bill and manage energy consumption.

Consolidated Balance Sheet

Assets	2016	2015
Utility Plant		
Electric plant in service	164,617,009	160,884,377
Other property and equipment	3,946,563	1,767,825
Construction work in progress	10,562,464	4,100,610
Less accumulated depreciation	-73,093,339	-68,324,586
Total Utility Plant	\$106,032,697	\$98,428,226
Investments & Other Property	\$51,227,050	\$50,870,891
Current Assets		
Cash and cash investment	12,058,952	11,975,160
Receivable & unbilled revenue	9,922,361	9,490,950
Materials and supplies	2,821,326	2,602,355
Other current & accrued assets	111,740	337,846
Total Current Assets	\$24,914,379	\$24,406,311
Deferred Debits	\$5,098,388	\$5,202,888
Total Assets	\$187,272,514	\$178,908,316
Liabilities & Capital	2016	2015
Capital Equities		
Patronage capital	89,086,872	87,879,324
Other equities (deficit)	8,713,501	8,267,350
Total Capital Equities	\$97,800,373	\$96,146,674
Long Term Debt	\$68,458,491	\$64,629,176
Current Liabilities		
Current maturities of long-term debt	3,348,410	3,128,897
Accounts payables	6,984,238	5,722,466
Accrued taxes	816,982	937,178
Employee compensated absences	1,570,688	1,542,753
Accrued interest	432,884	155,985
Other current liabilities	61,559	77,323
Total Liabilities and Equity	\$13,214,761	\$11,564,602
Deferred Credits	\$7,798,889	\$6,567,864
Total Liabilities and Capital	\$187,272,514	\$178,908,316

Statement of Revenue & Patronage Capital

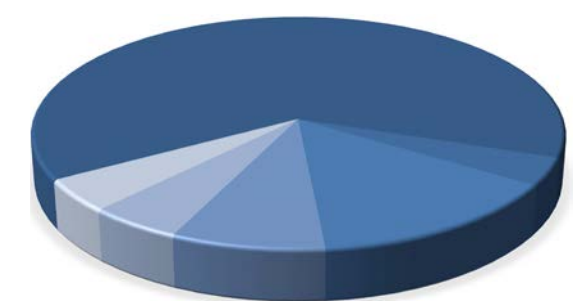
	2016	2015
Operating Revenues		
Electric energy revenue & gross sales	60,478,992	61,876,617
Miscellaneous revenue	3,923,210	3,103,913
Total Operating Revenues	\$64,402,202	\$64,980,530
Operating Expenses		
Cost of power & goods sold	40,644,368	41,862,817
Power production	705,496	655,210
Operating expenses - transmission	443,060	344,741
Operating expenses - distribution	3,390,449	3,159,491
Maintenance of distribution plant	2,008,048	1,801,145
Customer accounts	2,248,821	2,241,491
Other customer expenses	743,333	696,399
Administrative and general	5,779,852	5,299,003
Depreciation	5,400,284	5,338,946
Other deductions	486,094	619,069
Total Operating Expenses	\$61,849,805	\$62,018,312
Operating Margins-before fixed charges	\$2,552,397	\$2,962,218
Fixed Charges -interest on long-term debt	\$2,477,175	\$2,577,252
Operating Margins - after fixed charges	\$75,222	\$384,966
Capital Credits	\$1,389,485	\$2,323,647
Net Operating Margins	\$1,464,707	\$2,708,613
Non-Operating Margins		
Interest revenue	458,420	468,790
Gain/loss on disposal of assets	51,818	53,585
Other non-operating revenue	-126,133	9,240
Total Non-Operating Margins	\$384,105	\$531,615
Net Margins	\$1,848,812	\$3,240,228
Patronage capital - beginning of year	87,879,324	88,553,802
Transfer to other equities	-313,339	-1,123,834
Patronage capital retired	- 327,925	- 2,790,872
Patronage Capital - end of year	\$ 89,086,872	\$ 87,879,324

2016 REVENUE



Residential	54.6%
Small Commercial	24.5%
Public Authorities & Lighting	0.8%
Large Commercial	14.1%
Other Electric Revenue	6%

2016 EXPENSES



Purchased Power	63.6%
Interest	3.9%
Labor	14.4%
Depreciation	8.4%
Other O&M	5.1%
Outside Services	4.6%



Community Impact

Our Commitment

Our rural communities have both thrived and struggled in the past seven decades. We've experienced the highs and lows of a boom and bust industry. The role of our lands has expanded from ranching and farming to supporting supreme outdoor recreation like fishing, hiking, and biking. Likewise, our people have evolved to include both families with long histories and newcomers drawn to our lifestyle.

We know it's important for DMEA to remain a cornerstone in our communities through ups and downs and all the changes. In 2016, we continued that tradition by awarding educational scholarships, supporting community events, donating to charitable causes, reaching out to our members, and more.

Coming To You

After giving our self the goal of reconnecting with our communities, DMEA overhauled our events. We traded in formal (and if we're being honest, a bit stuffy) power point presentations for something more social. We held our member forums in popular local breweries hoping you'd turn out to enjoy a pint of Irish Red while getting your questions answered. We also launched The Morning Buzz, early morning open houses scattered across the service territory in your favorite coffee shops and breakfast joints. Our events were a boon to local businesses and a great chance for us to meet up with you face-to-face.

Educating Future Generations

Education is one of the seven principles all co-ops, DMEA included, are founded upon. It's no surprise our lineup of educational programs spans all ages and all types of topics from safety to efficiency to renewable energy. In 2016, we hosted our largest field trip to date when we welcomed the Montrose Centennial Middle School 8th grade class to our office. The group of 170 toured the South Canal Hydroelectric plant and experienced a shocking lesson on electricity safety during the high voltage demonstration.



2016 Community Impact

2016 Scholarships	\$20,700
Touchstone Energy Sponsorships	\$20,679
Operation Round Up Donations	\$70,297
Unclaimed Capital Credits Donations	\$148,872



Students point out the sun as a major renewable energy resource while on a field trip at Solar Energy International.

Giving Back

In 2016, DMEA supported the following organizations and events:

- Altrusa International Inc.
- Barrels for Bucks
- Bronson Satterly Medical Fund
- Court Appointed Special Advocates
- Cedaredge Apple Fest
- Cedaredge Chamber of Commerce
- Cedaredge Fire Department
- Crawford Pioneer Days
- Delta Area Chamber of Commerce
- Delta County Economic Development
- Delta County Fair & Rodeo
- Delta County Young Life
- Deltarado Days
- Habitat for Humanity Moonshiner's Ball
- HopeWest of Delta
- HopeWest of Montrose
- Hotchkiss Chamber of Commerce
- Hotchkiss Food Bank
- Montrose Area Chamber of Commerce
- Montrose Economic Development Corp
- Montrose Garden of Lights
- Montrose Community Foundation
- Montrose County Fair & Rodeo
- Montrose Youth Appreciation Day
- Black Canyon Boys & Girls Club Food & Wine Festival
- Montrose Oktoberfest
- Mountain States Ranch Rodeo
- Olathe Sweet Corn Festival
- Paonia Chamber of Commerce
- Paonia Cherry Days
- Paonia Learning Council Paint the Street
- Paonia Mountain Harvest Festival
- Pedal the Plains, Colorado's Food Banks
- San Juan Mountain Runners Black Canyon Race Series
- Valley Food Partnership, Western CO Food & Farm Forum
- Western Slope Conservation Center Conservation Days



ELEVATE

Rural Response

It happens all too often: In rural areas, we do not have (or expect to have) access to the same services as the people in urban areas. Companies that serve communities like ours rarely go the extra mile to give their consumers what they ask for. When it comes to telecommunications, most people expect the poor customer service offered by national providers rather than the excellent customer service offered by a local business. The choice, then, is between excellent customer service or excellent technology.

But, what if there were a company that provided both? Welcome to Elevate Fiber, your local fiber broadband provider that is connecting the rural homes and businesses in Delta and Montrose counties to the world. In response to DMEA member requests, we're providing truly high-speed and reliable internet to co-op members and beyond.

Go Time

Elevate launched in June 2016 to a packed house at last year's Annual Meeting of Members. Within one week of the meeting, 729 people preregistered for service. Three months later, we connected our first live customer, The Montrose Daily Press.

Paonia Gets the Gig

Just five months after launching, Elevate connected its first home in Paonia. By the end of the year, business row along Grand Avenue was lit up and home installations throughout the zone were in full swing. This small town community can now join the elite ranks of communities that have access to gigabit internet—impressive considering the population tops out at roughly 1,400 people.

Preregister today and help bring Elevate to your community. Visit join.elevatefiber.com, call us at 877-687-3632 or stop by any DMEA office during normal business hours.



DMEA members packed the house at last year's Annual Meeting of Members for the launch of Elevate.



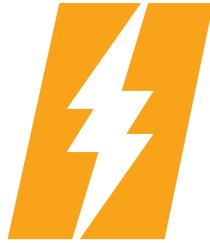
Elevating Our Members 2016

Launch.....	June 16, 2016
Miles of Fiber.....	198.59 mi.
Live Customers.....	186
Plant Growth	11%
Employees	4

Celebrating Success

DMEA's marketing and communications team was honored by the National Rural Electric Association with the Edgar F. Chesnutt Award. This once in a lifetime achievement is given to the best total communication program from across the nation. Jasen Bronec, CEO, Virginia Harman, VP of member relations and HR, Becky Mashburn, marketing supervisor, and Phil Sanchez, communication specialist, were selected by a panel of communication experts in recognition for their efforts behind the extraordinarily successful launch of Elevate.





Contact Us:

1-877-687-3632 | www.dmea.com | www.join.ElevateFiber.com
www.facebook.com/DeltaMontroseElectricAssociation

Our Offices:

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M - F, 8am - 5pm	M & W, 9am - 4pm

Special thanks to Philip Scheetz Photography and Pea Green Photography.

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 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.