

EDMEA

2019 ANNUAL REPORT



BOARD OF DIRECTORS

Bill Patterson, *President*
District 1

Kyle Martinez
District 2

Brad Harding, *Secretary/Treasurer*
District 3

Ken Watson, *Elevate Chairman*
District 4

Chris Hauck, *Asst. Secretary/Treasurer*
District 5

Damon Lockhart
District 6

Enno Heuscher
District 7, *appointed May 2020*

Jock Fleming
South Region

Stacia Cannon
North Region

MANAGEMENT TEAM

Jasen Bronec
Chief Executive Officer

Virginia Harman
Chief Operating Officer

Wade Pynes
Chief Financial Officer

Kent Blackwell
Chief Technology Officer

Jim Heneghan
Chief Power Supply Officer

Kathy McKie
Human Resources Director





DMEA 2019 AT-A-GLANCE

28,509 Members | 35,008 Meters | 103 DMEA Employees

Total miles of power lines: 3,131 | Annual revenue: \$69,904,013

Total energy sold: 555,776,899 kWh

Calls answered by customer service: 113,424 | Emails answered by customer service: 18,200

8.4 out of 10 Member satisfaction rating

American Customer Service Index Score: 78

OUR TRI-STATE EXIT AT A GLANCE

\$62.5 MILLION

The cost to exit our power supply agreement with Tri-State

\$26 MILLION

Transmission infrastructure DMEA is buying back from Tri-State

20 YEARS

The number of years left on the Tri-State agreement

\$44 MILLION

Average annual power supply costs under Tri-State

12.5 YEARS

The length of our new current contract with Guzman

MILLIONS

In projected annual savings on power supply costs under new Guzman agreement

10 MW

Amount of new local solar generation already in the works with Guzman

40%

The percent of renewable energy that will be in DMEA's power supply over time

LONG-TERM STABLE RATES

The primary benefit for all DMEA members

DEAR MEMBERS,

When we sat down to draft our annual message to you this year, we didn't know where to start. But not for lack of ideas, there's just too much to list. 2019 was a monumental year for DMEA. In the following pages, you'll read about electric vehicles, mobile substations, our commitment to local children, and bringing fiber to our communities.

And while all these accomplishments stand worthy in their own right, there's one historic milestone that will forever underscore 2019 in DMEA's history. On July 22, 2019, we officially announced our withdrawal from Tri-State Generation and Transmission Association (Tri-State). After decades of work, we had finally reached an exit agreement.

That work continued for the next 11 months as the board and management team negotiated countless agreements with both Tri-State and our new power supply partner, Guzman Energy. We sealed our final agreements in March 2020. Guzman Energy will pay Tri-State \$62.5 million for the right to take over our power supply agreement with Tri-State and sell power to DMEA. These agreements include more than just that exit fee though; we continue to maintain vital partnerships with Tri-State and other entities, like Western Area Power Administration, for services like transmission and telecommunications. Tri-State is still an important partner in ensuring reliable power is delivered to our local communities.

It may not seem like it today or perhaps even tomorrow, but 2019 will be one for the history books. And, as we already know, 2020 will prove even more memorable as we both reap the benefits of our new power supply agreement and navigate the ramifications of COVID-19. No matter where the future takes us, we are in this together.

Thank you,

Jasen Bronec, CEO

Bill Patterson, Board President

Energy Efficiency & Renewable Energy

SPOTLIGHT ON PAONIA'S LEVEL III FAST CHARGER

On November 7, 2019, Atlasta Solar Center flipped the switch on Paonia's first-ever level III electric vehicle charging station. Located on the corner of 3rd and Main Street, this public charging station can "fill 'er up" from empty to full charge in just two hours. Locals, tourists, and passersby alike can make a pit stop here, swipe their credit card, plug in, and stroll down the street for a refreshment from Remedy Juice Bar, a one-of-a-kind trinket from Heart of the Dragon, or stuff themselves with crusty bread and cured meats at Paonia Breadworks, all while charging up their vehicle. And since it only costs around \$4 per hour, there'll be plenty of spending money in your pocket for one (or all) of these treats!

Since it went live, the charging station has loaded a total of 137 kilowatt hours onto various electric vehicles, which amounts to about 550 miles worth of travel. Owned and operated by Atlasta Solar Center, a Grand Junction and

Montrose-based company, this level III station is just the second fast charger in DMEA's service territory. It was made possible thanks to a partnership between DMEA, Atlasta, the Town of Paonia, the Governor's Energy Office Charge Ahead Program, and Tri-State Generation and Transmission.

Through a limited-time rebate program with Tri-State, DMEA secured \$3,000 in funding, plus matched that with an additional \$3,000 - in total, we donated \$6,000 to help construct the charging station. The Colorado Governor's Energy Office kicked in an additional \$9,000 grant, and the Town of Paonia provided in-kind support by donating the plot of land for the station. Atlasta did much of the heavy lifting; they designed and constructed the station and contributed the remaining balance of materials and labor, which totaled approximately \$7,000!

2019 ENERGY PROGRAMS

175

Net meters added in 2019

723

Total net metered accounts

4.6 MW

Total net metered energy

Community Solar Generation (kWh):

322,442

Hydroelectric generation:

27,021,485 kWh

Annual net savings from hydro generation:

\$989,911

Energy Star appliance rebates:

\$38,180

\$15,436

Residential lighting rebates

\$96,516

Commercial lighting rebates

Total # of rebates given:

1,283

Total \$ of rebates paid to members:

\$213,012



ALL ABOUT ELECTRIC VEHICLES

According to the Edison Electric Institute, more than 1.5 million electric vehicles (EV) were on the road as of December 2019. And since Colorado ranks eighth in the country in electric vehicle sales, you've probably seen more than one of these battery-powered cars zipping around DMEA's service territory—take a glance around our employee parking lot and you'll spot at least three!

Although electric vehicles have exploded in popularity, there is still a lot of uncertainty out there: What if I run out of a charge? Are they really expensive? How do I "fill it up?" This EV-induced anxiety might have you questioning whether one would work for you. Here are a few facts to put your mind to rest:



RANGE: On a fully charged battery, the range of EV models released in 2019 and 2020 are well in excess of 200 miles. Top-of-the-line models can go even longer - Tesla's Model S can travel up to 370 miles per charge. All the while, the average American only drives 40 miles per day.



COST: All-electric vehicles do not require gasoline, which means you won't be spending \$50 to fill up your gas tank. In contrast, it would only cost around \$3.50 in electricity costs to fully charge a Chevy Bolt, which gets around 238 miles per charge! If you're purchasing an EV, you can also take advantage of federal and state tax credits. Get up to \$7,500 back from the federal government and up to \$6,000 additional credit from the state of Colorado.



CHARGING: Most EVs today come with their own home supply equipment that plugs into a standard 120-volt outlet, called a level 1 charger. Plug in your EV when you get home from work each evening, and you'll never be low. There are also 21 public electric vehicle chargers in 9 locations throughout DMEA's service territory, ranging from Montrose all the way up to Paonia.

Operations & Engineering

KEEPING UP WITH UPKEEP

Chances are you don't give much thought to the power lines traversing your neighborhood, the equipment on the corner, or the fenced-off substations. The reality is that DMEA's electric grid is made up of hundreds of thousands of parts and pieces - from tiny bolts to 4,000-pound transformers.

It's the job of DMEA's operations and engineering departments to keep all these parts and pieces in good working order so that you have reliable electricity. How do we do that? Maintenance. A lot of maintenance. Every year, DMEA spends countless hours and millions of dollars working to maintain the grid that brings electricity to our local homes and businesses - all to ensure your power is flowing 24 hours a day, 365 days a year!

This preventative maintenance includes work such as inspecting a portion of our more than 40,000 power poles, constantly removing trees from our rights-of-way, and replacing equipment that has reached the end of its life cycle.

In 2019, one of the most significant maintenance projects we completed was fixing our mobile substation. This important "in case of emergency" piece of equipment can be immediately deployed to many locations in our service territory in the event there is an issue with a standard substation transformer. If a standard substation transformer were to fail or need maintenance of its own, thousands of members would be without power for an extended time. In this case, our mobile substation would get the lights back on sooner for a large portion of our membership.

And, since some new substation transformers also come with a hefty 12+ month lead time, having a good working mobile substation is vital to DMEA's ability to maintain and operate the local electric grid safely and reliably.

MOBILE SUBSTATION

1984
Year built

12
Times deployed in the past 30 years

\$300,000
Original price tag

\$152,000
Cost of 2019 maintenance

\$1,000,000
Going rate for a new substation transformer

1 DAY
Time it takes to deploy substation transformer

1 YEAR
Time it takes to get a new substation transformer

2019 OPERATIONS

1,761
Miles of overhead
power lines

1,257
Miles of underground
power line

113 Miles of transmission power line

506 Meters added | 742 New system design jobs

DMEA average annual minutes without power: 89.151

State average annual minutes without power: 133

19 Journeyman Linemen

4 Apprentice Linemen | 96 MEGAWATTS Peak system demand

Power poles: 41,012

Power poles inspected: 3,548



Finance & Accounting

COMPETITIVE PRICING AND CONTROLLABLE COSTS

The way we consume electricity has changed over the years - from powering just one bulb to charging the family car. But our relentless pursuit to provide you with outstanding value has remained absolute. In 2019, our members continued to enjoy electric rates below many other Colorado providers, while we continued to search for ways to get even better.

But how? Through disciplined cost management. The biggest factor impacting your bill (other than how much energy you consume) is DMEA's ability to manage costs. These costs fall into three main categories:

Wholesale power costs - Since roughly two-thirds of our overall expenses go to purchasing wholesale electricity from Tri-State, this is where we can make the biggest change. That's why we're in the final stages of withdrawing from Tri-State and transitioning to Guzman Energy. With Guzman, we will have greater rate stability over the next several years.

Controllable costs - Controllable costs are the things DMEA spends money on that we can influence over the short term. This category includes items like maintenance projects, vehicles, and supplies. It accounts for just 21% of our overall expenses. DMEA's controllable costs are lower than every one of our major peer groups.

Other costs - Our other costs include various fixed expenses such as depreciation, taxes, and interest on debt. While our ability to change these costs over the short term is limited, we don't use that as an excuse to do nothing. In 2019, we refinanced \$28 million in debt at lower interest rates. This will save DMEA approximately \$1.5 million, as well as reduce our total revenue requirements by an estimated \$25 million over the next 10 years.

As we navigate the impending loss of Russell Stover (our second largest member) and the economic consequences of COVID-19, cost management will remain as important as ever. Though these are uncertain times, our commitment to affordability is not.

FINANCIAL STATEMENTS

For the year ended December 31

	2019	2018
Revenues	69,904,013	68,768,961
Expenses	73,392,244	70,467,819
Other income (expense)	2,840,000	2,873,827
Net margins	(648,231)	1,174,969
Assets	242,118,542	221,025,427
Liabilities	141,857,600	120,029,816
Equity	100,260,942	100,995,611

2019 FINANCIALS

Prepay billing members: **321** | Budget billing members: **584**

Paperless billing members: **13,195** > 200%+ increase from 2018

Wholesale power costs: **\$43,640,009** | Average monthly use per residence: **753 kWh**

Residential kWh charge: **\$0.1095/kWh** | Average residential bill: **\$106.96/mo**

Electric revenue: **\$69,904,013**

DMEA annual controllable expense per customer: **\$437.45** | State average annual controllable expense per customer: **\$510.58**



The accompanying notes are an integral part of these condensed financial statements. Review the full independent auditor's report online at www.dmea.com/financialstatements.

2019 COMMUNITY CONTRIBUTIONS

Total community giving: **\$376,000+**

Scholarships: **\$42,000** | Sponsorships & donations: **\$93,547.60**

Operation Round Up donations: **\$57,944.39**

8,793 Total members contributing to Operation Round Up

Unclaimed capital credit donations: **\$182,961.93** | Employee volunteer hours: **107**

Awards/recognitions/certifications: **5**

National Rural Electric Cooperative Association's Spotlight on Excellence awards

1st Place.....Best Annual Report

2nd Place....Best Digital Storytelling

1st Place.....Best Graphic Design

1st Place.....Best Individual Ad

1st Place.....Best Event

Community

WHEN OLD MEN PLANT TREES

What comes to mind first when you think about DMEA? Your monthly electric bill? Bucket trucks and power poles? Likely, all of those, and maybe you've even thought about the luxury of instantly powering on your TV or the security of keeping your elk in your freezer. But, have you ever considered our investments in our community?

One of the cooperative principles we live by here at DMEA is Concern for Community. Though this comes in many forms, the most fundamental - and likewise, most fulfilling - way we honor this principle is by investing in our future generations.

Every year, we invest in the success of our future generations by donating tens of thousands of dollars to youth organizations, child advocacy groups, extracurricular activities, music and the arts, and mental health organizations. These funds send deserving students to national competitions; purchase school supplies like band instruments and iPads; build playgrounds; help develop new school curriculum; and we've even been known to just show up at local stores to buy students their school supplies for the year.

In 2019, we donated a total of \$202,123 to support the education and success of our local youth alone! It's an honor and a privilege to be able to give back to our communities in such a significant way and we have you, our members, to thank for it. By being a member of this cooperative, you're buying so much more than electricity.

And as the Greek proverb professes, "A society grows great when old men plant trees whose shade they know they shall never sit in." So this year, and every year, we are committed to planting "trees," the shade of which your children and grandchildren will enjoy!

THE 7TH COOPERATIVE PRINCIPLE:
"CONCERN FOR COMMUNITY"

"WHILE FOCUSING ON MEMBER NEEDS, COOPERATIVES WORK FOR THE SUSTAINABLE DEVELOPMENT OF THEIR COMMUNITIES THROUGH POLICIES ACCEPTED BY THEIR MEMBERS"





THE YOGA HOUSE: SERVING THE NEEDS OF THE COMMUNITY

Best known for agriculture and a western lifestyle, Montrose isn't exactly the place you would expect to find a vibrant yogi community. But as it turns out, that is exactly what Melissa Lowe unearthed when she founded the Yoga House in June 2018.

Not long after moving to Montrose, Melissa went in search of a yoga family to call her own. What she found was an underserved community of yogis who, like herself, had nowhere to go to share their passion and grow their practice. One night, while out-and-about, Melissa's husband mentioned there was an open building that would be perfect for a yoga studio. No stranger to entrepreneurship, Melissa promptly put together a business plan and made an offer the next day. The Yoga House was born.

Any trepidation Melissa felt about starting a yoga studio in the middle of this rural landscape was quickly quashed as yoga devotees and enthusiasts from around the Western Slope rallied around her and her purpose. Even finding quality instructors was easier than Melissa had anticipated. So easy, in fact, that Melissa didn't even have to look; they found her.

Melissa's vision for the Yoga House is a studio that advances a diversity of styles and fits into busy life schedules. She offers classes in the morning, over lunch breaks, and in the evenings, that range from prenatal, to trapeze, to paddleboard yoga. In short, the Yoga House team built a yoga studio to fit the needs of this community.

As you might have imagined, there is a connection between the Yoga House and Elevate Internet. We're proud to be given the opportunity to support small-business owners, like Melissa—those who endeavor to fill our communities with delightful things and meet the diverse needs of everyone who lives here. And yeah, we also like knowing that because of their Elevate internet connection, the Yoga House is streaming just the right music to flow through vinyasas, checking in visitors, signing up new customers, and serving the community.

“DO WHAT YOU LOVE, DO WHAT YOU ARE PASSIONATE ABOUT, LOOK FOR OTHERS THAT FEEL THE SAME WAY, THEN CONNECT AND COLLABORATE.”

MELISSA LOWE, YOGA HOUSE
207 EAST MAIN ST. MONTROSE, CO



2019 ELEVATE

748 Total miles of fiber built | 6,944 Total live customers | 1,186 Total phone customers

46 Percentage of members with access to Elevate | Average network up time: 99.999% | Total TV customers: 575
42.8% Overall take rate in areas with service | 11 Elevate employees

32 Average new customers per week | Grants funds awarded: \$6.4 million | Customer satisfaction rating: 8.9 OUT OF TEN
Telecom revenue: \$5,501,305

EBITDA POSITIVE Two years early | Awards/Recognitions/Certifications: One Master Ops Splicing Technician Certification



DMEA

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