

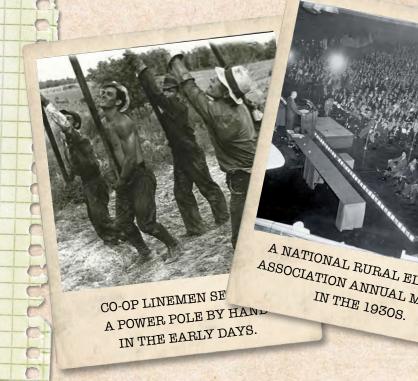
2015 ANNUAL REPORT

DELTA-MONTROSE ELECTRIC ASSOCIATION

Delta-Montrose Electric Association General Facts & Figures

(as of December 31, 2015)

Total members	27,529
Total active meters	32,651
Date of incorporation	32,651
Counties sorred	1938
Miles of its	Montrose, Delta, Gunnison
Miles of line	3,278.64
Members per mile	8.4
Total employees	93
Kilowatt hours sold	570,781,614
Annual meeting month	June
Power supplier	Tri-State G&T
F-02	Tr1-State G&T



Management Team

Jasen Bronec CEO

Corev Thurlow Chief Financial Officer

Kent Davenport Engineering Manager

Steve Metheny Chief Operating Manager

Doug Cox Operations Manager Virginia Harman **Member Relations**

John Monday Broadband Manager & Human Resources Manager

Board of Directors (as of June 2015)

Bill Patterson

President District 1

Kvle Martinez Asst. Secretary/Treasurer District 2

Olen Lund* Secretary/Treasurer District 3

Jim Elder* District 4

Marshall Collins District 5

Terry Brown District 6

Mark Eckhart District 7

Tony Prendergast* Vice President South Region

John Gavan North Region

*These board seats were up for election at the time of printing of this report.

Contact Info

PO Box 910 | Montorse, CO 81402 877-687-3632 | www.dmea.com

www.facebook.com/DeltaMontroseElectricAssociation



Jasen Bronec CEO

Report from the CEO

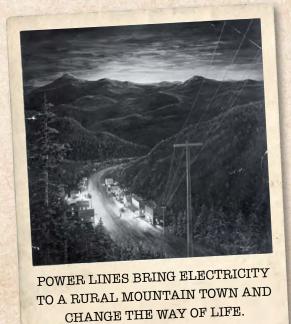
Delta-Montrose Electric Association (DMEA) is proud to celebrate 78 years of service. Beginning in the 1935, the federal government and rural Americans worked together and built an electric infrastructure that remains one of our nation's greatest engineering achievements. This collaborative effort, called the New Deal, helped provide reliable and affordable electric energy to areas that had been left in the

dark. Electricity was no longer considered a luxury; it had become a necessity, according to President Franklin D. Roosevelt.

Today, DMEA continues to uphold the cooperative vision by continuing to meet the needs of our members and improve the quality of life in the communities we serve. One of our top priorities is to constantly listen to you, our memberowners. We've done just that, and we understand that just as electricity was many years ago, quality high-speed internet is now a similar necessity.

Elevate Fiber, a wholly owned DMEA subsidiary, has been formed to meet the needs of our members. Over the next four to five years, DMEA has a vision to make fiber-to-the-premises broadband internet service available to every DMEA member. Fiber provides the fastest and most reliable internet service in the world and will stimulate economic growth in our region. It will also be vital for the continued operation of DMEA's electric system. In the future, the new fiber network will allow DMEA to expand and deploy load control, demand response, energy storage, renewable distributed generation, and time-of-use systems. These are all innovative ways DMEA can work to help members save money and improve quality of service. Truly, all DMEA member-owners will benefit from the investment in the new fiber network.

DMEA understands the economic pressure everyone is under and we are committed to being competitive, reliable, and innovative for our membership. DMEA continues to stand firm and strong both financially and technically. Due primarily to the rising cost of wholesale power from Tri-State, DMEA will need to slightly increase rates at the beginning of 2017. Wholesale power expenses account for around 70% of all DMEA costs and tend to be a direct pass through



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on your electric rates. In the next couple of months, DMEA will finalize a cost of service study and begin notifying member-owners through rate hearings about the specific impacts.

DMEA has continued to experience increases in wholesale power costs, material and labor, and capital costs for ongoing system improvements that provide greater reliability. Even with all these rising costs, DMEA has continued to operate with increases that are well below those 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.

In 2015, DMEA continued to focus on four key financial goals. These goals consisted of maintaining key lending ratios, protecting member equity, establishing stable and equitable rates, and continuing the retirement of capital credits. DMEA has met or exceeded all of these goals. For example, the required minimum for debt service coverage ratio is 1.35 and for times interest earned ratio is 1.25. DMEA surpassed those with the respective levels of 1.90 and 2.26. In addition, the cooperative has maintained a strong equity level of 54%. Furthermore, we made strong financial gains by reducing long-term debt by \$2,890,000, returned \$2,700,000 in capital credits to our members, and deferred \$750,000 in revenue to offset any future member rate increases.

We continue to plan for the future. Your cooperative is more than just a provider of electricity. DMEA continues to be a cornerstone for the community by working with local businesses, supporting local school activities, providing scholarships, and promoting rural economic development. We will keep exploring opportunities to grow the cooperative and have been key participants in furthering regional goals, from extending high-speed broadband to promoting the development of local renewable energy. We at the cooperative subscribe to a set of values which helps bring a better quality of life to the members and the communities we serve. DMEA is devoted to serving you, the members! As always, if anyone has any questions about the operations of the cooperative, please call, write, or stop by anytime. The door is always open.



Bill Patterson
Board President

President's Report

A lot has happened since our last annual meeting. You may remember, DMEA was awaiting a ruling from FERC (Federal Energy Regulatory Commission) to determine our ability to purchase locally generated renewable energy. FERC ruled in DMEA's favor stating that under federal law, DMEA is required to purchase power from qualifying facilities regardless of the limitations set forth in our contract with Tri-State G&T. Furthermore, DMEA has the right to negotiate the purchase price with

the qualifying facilities. Long story short: DMEA can now purchase energy from our local renewable energy producers who are qualifying facilities.

In addition, the board unanimously voted to proceed with a fiber-to-the-premises broadband company in order to bring reliable high-speed internet service to the citizens and businesses in Montrose and Delta counties. Similar to how electric cooperatives lit up rural America in the 1930s, this project will bring a modern necessity to our underserved countryside. DMEA will be able to help our members and communities build a sustainable future where our businesses, families, and institutions can grow and prosper: All this while maintaining excellent electric service and safety. The board wants to share our confidence that the management and staff of DMEA are up to these challenges.

The Board is clear in their strategic mission: help secure a future for our members that protects against abrupt wholesale electric rate increases and unites our community with the world. These efforts don't come without risk. We need a reliable source for baseload power in addition to local generation. We will face competition in the broadband market. We need to facilitate growth while maintaining the most reliable and safest electric grid possible. These are large tasks that will require the best from everyone. But, with the local economy suffering and the world changing, we must work to provide a positive future for our members, their families, and our communities.

I ask you to join with DMEA to provide this future: One where local energy needs are met by local power sources at lower costs than the national grid provides; where the cost and speed of local telecommunications are the same or less than major population centers; where we and our children can learn and earn a living without having to move away.

As with any change, many questions arise. I encourage you to come and observe what DMEA is planning and doing. Ask questions and get information so that you can understand why we are one of the leading cooperatives in innovation and forward thinking. We will answer your questions, explain our plans and tell you how we're working for you and your family. Because what we do, we do for you, our members.

The Board is clear in their strategic mission: help secure a future for our members that protects against abrupt wholesale electric rate increases and unites our community with the world.



2015 DMEA MEMBER SERVICES & ENERGY SAVINGS PROGRAMS

(as of December 31, 2015)

Energy Star appliance rebates	\$32,130,00
LED light bulb rebates	\$32,263.48
Total rebates paid to members	\$112.418
Estimated energy reduction 1,098	3,769 kWh/year
Estimated savings in energy costs	\$113 392/year
Total LED street lights installed	330
My Choice members (prepay)	152
Smarthub users	11 195
Energy audits completed	
Net-metered members	276

My Choice Provides Flexibility, Relief

DMEA launched its new prepaid billing program, called My Choice, in May 2015. Prepaid electricity works just at it sounds: You pay for your electricity before you use it. Members can choose when they pay and how much they pay, as long as they maintain a positive balance on their account. For example, rather than waiting a full month to pay their bill, members can make smaller more manageable payments on a regular basis. This flexibility gives members the power to match their electricity payments to their own specific budget and cash flow. Some choose to pay a little each week or even each day.

Many members have found relief from past due balances, late fees, and disconnect fees by switching from a traditional account to My Choice. Additionally, Energy Outreach Colorado pledged \$100,000 to the program to help members in need make the switch. They will provide up to \$1,000 in assistance to help a member do the following: pay off past due and current account balances, purchase \$100 worth of prepaid electricity, and purchase an in-home display to monitor the daily account balance and energy consumption. As of December 31, 2015, DMEA secured \$23,295.35 in assistance for members who switched to My Choice.

Learn more about My Choice at www.dmea.com. Sign up in person in order to receive an up-to-date account balance and learn about options for eliminating or transferring your past due balance.



Our goal may have evolved from setting poles and stringing wires, to making sure our members use power as efficiently as possible, but our true purpose remains the same – to serve our members. DMEA's member services department works to provide relevant energy savings programs, varied billing options, and modern account management tools: All put in place to help our members.

Virginia Harman

Manager of Member Relations & HR

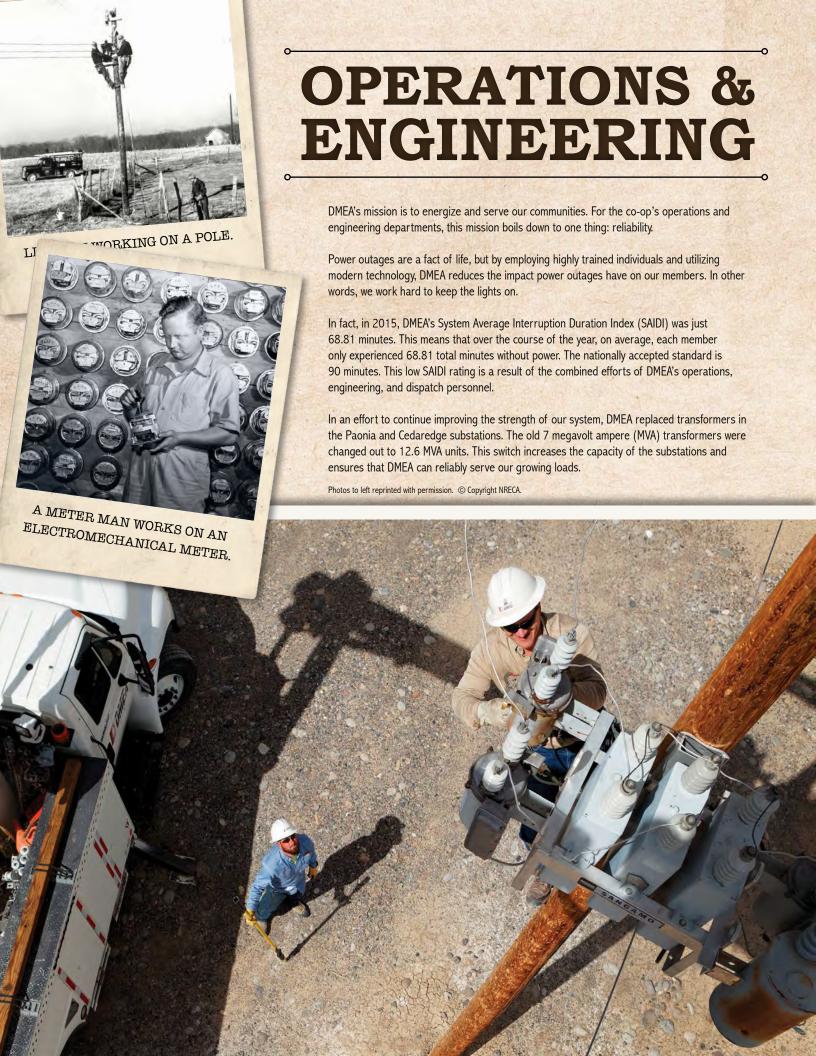
First Variable-Speed Drive Rebate Issued



CENTER PIVOT IRRIGATION EQUIPMENT MEAKER FAMILY FARM - 2015

In November 2015, DMEA issued the first variable-speed drive rebate in the history of the cooperative to Montrose member, Randy Meaker. He installed a 50-horsepower variable-speed drive pump on his irrigation system and a new premium efficient motor. In total, DMEA paid back \$2,875 to Meaker for his efficiency efforts.

Pumping water is often a major expense for area farms and ranches. Traditional irrigation pumping systems are designed to meet the maximum demands of flow and pressure. This means the pumps run at one speed and require a set capacity of energy to operate. In comparison, variable-speed drives can adjust their speed to match their workload and therefore adjust their energy consumption.





A CRANE LIFTS THE NEW PAONIA SUBSTATION TRANSFORMER INTO POSITION.

DMEA also successfully added local hydroelectric generation sources to our energy portfolio. Two areas along the South Canal, Drop 4 and Drop 6, were interconnected to DMEA's system by the summer of 2015. Together, the two facilities will produce approximately 27 million kilowatt hours during the seven-month irrigation season. These projects, coupled with DMEA's existing South Canal Hydroelectric facility, can power nearly 10,000 homes while irrigation water is flowing.

Work continued on DMEA's middle-mile fiber network. In addition to stringing 30 miles of fiber, we constructed six substation control houses. These houses are key to allowing us to communicate with our substations for operational purposes.

Of course, the most notable achievement in DMEA's fiber efforts was our announcement at the end the year that we were establishing a fiber broadband company in order to provide reliable high-speed internet to all portions of our service territory. DMEA's Board of Directors made this decision in response to appeals from the membership. You asked, and we listened: We are proud to introduce Elevate Fiber!

There are areas within DMEA's service territory with unreliable and even no available internet service. Elevate will deliver ultrafast internet and phone service to our members; even those is hard-to-reach places. We recognize that high-speed internet is no longer a luxury, but rather a necessity of modern life, as well as a catalyst for economic and educational development. Just as our predecessors were tasked with finding a way to bring electricity to Western Colorado, DMEA is finding a way to light up the countryside once again.



FIBER > POWERED BY DMEA

2015 DMEA CORE BUSINESS

(as of December 31, 2015)

New services installed	
New services installed Poles inspected Poles reinforced	231
Totos Leintorcod	7 000
TOTOS LEDISCEY	07
TATTICS OF HUGE	150
Miles of fiber	30.3
	100,443 KW



An example of an advertisement from the Rural Electrification Administration about the arrival of electricity to rural America.

DMEA has a legacy of providing safe and reliable electric service to our members. It's a goal we've had since 1938 and one that will remain unwavering as we move into the future. As we expand the scope of the cooperative, that same dedication will carry over to the new fiber services we offer, because, ultimately, it's all about our commitment to our members.

FINANCIAL REPORT

In 2015, DMEA refinanced \$21,493,156 of Rural Utilities Service (RUS) debt with CoBank, saving the cooperative and its members more than \$4.5 million over the next twenty years. The refinance dropped DMEA's interest rate from 4.74% to 3.7%. The RUS, originally the Rural Electrification Administration (REA), was established in 1935 to provide low-interest loans for rural electric cooperatives. It was only because of the REA that our predecessors were able to access the necessary funds to establish DMEA. Since then, the REA has morphed into the RUS and become a resource for rural communities to develop and improve their basic infrastructure, including electric, telecommunications, water, and wastewater systems.

In October of 2015, DMEA's Board of Directors approved a \$2.6 million capital credit retirement for credits allocated in 1990 and some from 1994.

Consolidated Balance Sheet

Assets	2015	2014
Utility Plant		
Electric plant in service	160,884,377	168,968,346
Other property and equipment	1,767,825	1,767,825
Construction work in progress	4,100,610	3,021,400
Less accumulated depreciation	-63,324,586	-64,528,656
Total Utility Plant	\$98,428,226	\$109,229,006
Investments & Other Property	\$50,870,891	\$49,317,143
Current Assets		
Cash and cash investment	11,975,160	8,898,241
Accounts receivable & unbilled revenue	9,490,950	10,210,294
Materials and supplies	2,602,355	2,490,541
Other current & accrued assets	337,846	115,705
Total Current Assets	\$24,406,311	\$21,714,781
Deferred Debits	\$5,202,888	\$364,763
Total Assets	\$178,908,316	\$180,625,693
Liabilities & Capital	2015	2014
Capital Equities		
Patronage capital	87,879,324	88,553,802
Other equities (deficit)	8,267,350	7,059,457
Total Capital Equities	\$96,146,674	\$95,613,259
Long Term Debt	\$64,629,176	\$69,207,045
Current Liabilities		
Current maturities of long-term debt	3,128,897	2,735,742
Accounts payables	5,722,466	5,216,116
Accrued taxes	937,178	957,322
Accrued employee compensated absences	1,542,753	1,435,829
Accrued interest	155,985	94,941
Other current liabilities	77,323	76,302
Total Liabilities and Equity	\$11,564,602	\$10,516,252
Total Liabilities and Equity Deferred Credits		\$10,516,252 \$5,289,137
	\$11,564,602	the second second second

2015 FINANCIALS AT-A-GLANCE

(as of December 31, 2015)

Capital credits paid to	
Capital credits paid to members	\$2 700 0
Ones die power costs	Ψ≈, 790,871
Operating mana:	
TITULOIDIE Daid on day	\$2 709 GIF
Deterred Petrepus	\$2 014 440
out octobility denomination	
Net savings from hydro generation Residential kWh charge	28 077 707 1 -
Don't Ings II'om hydro generation	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
TOOSIGETICIAL KWTh chart	······ \$0.0277/1-TATL
Residential kWh charge	
opidelice	720 I-MTL
	ING KWI/month

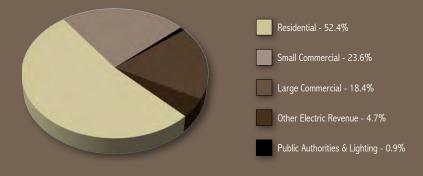
This retirement included an exciting change: Capital credits were issued back to our members as checks rather than bill credits. All credits greater than \$10 were issued as checks. Credits less than \$10 were issued as bill credits. Why the change? Capital credits represent your financial ownership of the cooperative, and DMEA believes you should be able to decide how you want to spend your money — whether for a latte or a tank of gas!

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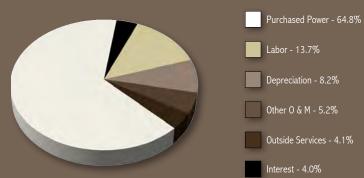
Statement of Revenue & Patronage Capital

	2015	2014
Operating Revenues	THE REAL PROPERTY.	
Electric energy revenue & gross sales	61,876,617	62,758,356
Miscellaneous revenue	3,103,913	1,728,755
Total Operating Revenues	\$64,980,530	\$64,487,111
Operating Expenses	2	
Cost of power & goods sold	41,862,817	42,016,045
Power production	655,210	752,149
Operating expenses - transmission	344,741	394,028
Operating expenses - distribution	3,159,491	3,562,802
Maintenance of distribution plant	1,801,145	1,804,412
Customer accounts	2,241,491	1,644,608
Other customer expenses	696,399	531,883
Administrative and general	5,299,003	4,668,385
Depreciation	5,338,946	5,549,728
Other deductions	619,069	17,652
Total Operating Expenses	\$62,018,312	\$60,941,692
Operating Margins - before fixed charges	\$2,962,218	\$3,545,419
Fixed Charges - interest on long-term debt	\$2,577,252	\$2,767,473
Operating Margins - after fixed charges	\$384,966	\$777,946
Capital Credits	\$2,323,647	\$2,652,082
Net Operating Margins	\$2,708,613	\$3,430,028
Non-Operating Margins		
Interest revenue	468,790	318,049
Gain/loss on disposal of assets	53,585	19,519
Other non-operating revenue	9,240	-13,765
Total Non-Operating Margins	\$531,615	\$323,803
Net Margins	\$3,240,228	\$3,753,831
	A AND DEPOS	VERTICAL SEA
Patronage capital - beginning of year	88,553,802	87,875,766
Transfer to other equities	-1,123,834	-318,059
Patronage capital retired	-2,790,872	-2,757,736
Patronage capital - end of year	\$87,879,324	\$88,553,802





2015 EXPENSES

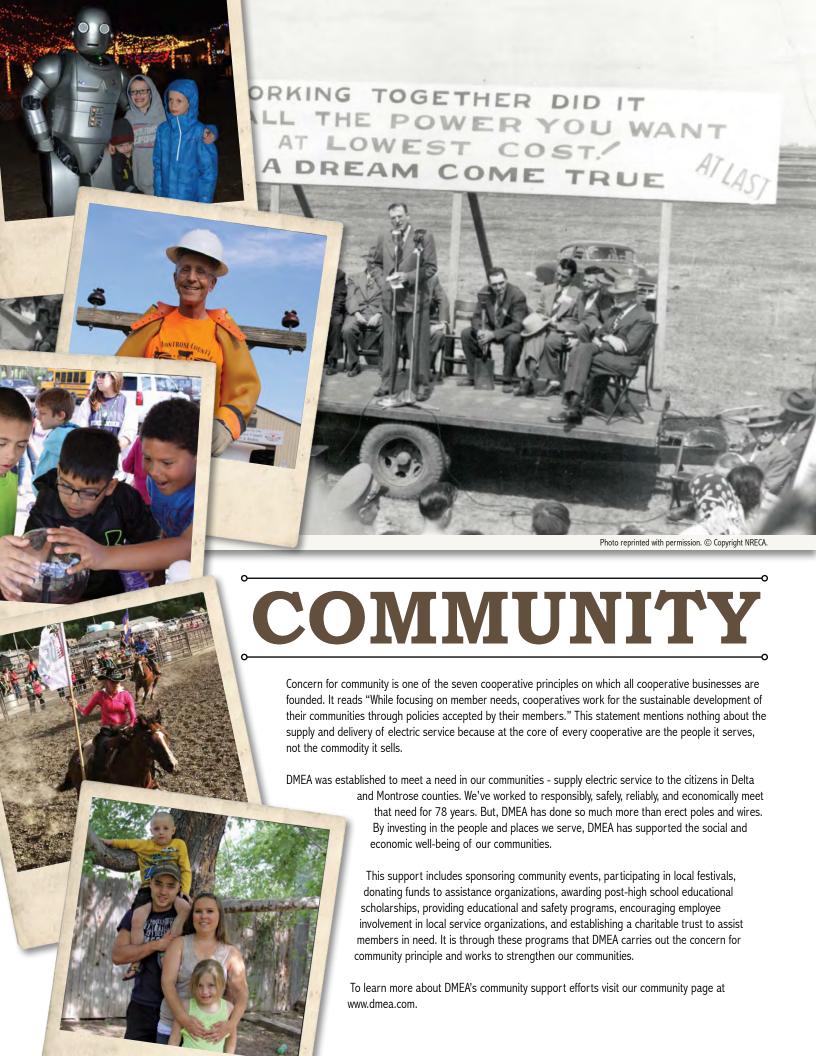


If you spent your capital credit locally, it had double the impact and helped continue to power our local economy.

Overall, DMEA remained financially strong in 2015. This, plus prudent budgeting by DMEA's employees and the financial guidance of the board, allowed us to hold rates steady in 2016. However, DMEA anticipates the need to adjust rates in 2017 and propose necessary increases to reflect changes in our wholesale power costs and operational needs.

Our board has always protected our members' investment in the co-op. That will not change as we embark on our new venture, which will bolster the future financial stability of the cooperative.

Corey Thurlow, Chief Financial Officer



In 2015 DMEA supported the following events and organizations.

All Points Transit Oktoberfest

Altrusa International Sugar Plum Festival

BeaconFest

Cedaredge Applefest

Cedaredge Chamber of Commerce

Celebrate Cedaredge

Colorado Small Hydro Association

Court-Appointed Special Advocates

Crawford 4th of July Fireworks/Women's Fire Auxillary

Crawford Area Chamber of Commerce

Crawford Parade of Lights

Crawford Pioneer Days

Delta Area Chamber of Commerce

Delta Conservation Days

Delta County Altrusa Sugarplum Festival

Delta County Fair & Rodeo

Delta County Memorial Hospital

Delta County Economic Development, Inc.

Delta High School

Delta Home & Garden Show

Dolphin House

Earth Week Connect the Drops Festival

Energy Outreach Colorado

Fourth Grade Natural Resource Festival

FUNC Fest

Hope West of Montrose & Delta Counties

Hotchkiss Chamber of Commerce

Hotchkiss High School

Montrose Botanical Society Garden of Lights

Montrose Chamber of Commerce

Montrose Community Foundation

Montrose County Fair & Rodeo

Montrose County Sheriff's Posse

Montrose Economic Development Corporation

Montrose High School

Montrose Home Garden & Business Expo

Montrose in Motion

Montrose Regional Library Year of Solar Program

Montrose Visual Arts Guild

National Barrel Horse Association

Olathe Sweet Corn Festival

Paonia Chamber of Commerce

Paonia Cherry Days

Paonia Mountain Harvest Festival

Partners of Delta, Montrose, & Ouray

Pea Green Pedal

Region 10

Relay for Life

Rotary Winter Carnival

San Juan Healthcare Foundation

San Juan Mountain Runners

Santa's Cabin

Volunteers of America

Western Colorado Food & Farm Forum

Western Slope Conservation Days

Young Entrepreneurs Association (YEA!)

Youth Appreciation Day

Operation Round Up Gives Back

Operation Round Up is a charitable giving program funded by DMEA members who choose to round up their monthly electric bill. The rounded up portions from all participating member bills are deposited into a separate account and are used to grant donations to worthwhile organizations, projects, charities, and individuals.

In 2015, DMEA collected \$58,232.03 in Operation Round Up funds. Of this, the Operation Round Up Charitable Trust disbursed \$53,899 back into the local communities through donations.

DMEA thanks the members who served on our 2015 Charitable Trust Board:

Marilyn Moll

Penny Sutton

Cindy Hansen

Bobby Gray

Sherry Burr

Gary Messano

Merna Ray

Jeanie Brown

Dennis Olmstead



Operation Round Charitable
Trust board members
Penny Sutton (L) and
Marylin Moll (R) present
Grace MacGregor of
Lovin' Spoonful in Paonia
with an Operation Round
Up donation. Lovin'
Spoonful provides a
weekly community meal
on Wednesday evenings to
hungry families at the
Paonia Teen center.

Giving back to the community has always been a part of the way co-ops do business. Caring about our members comes naturally, because our members are the reason we exist. For DMEA, it just makes sense to support our communities and help ensure their future success.

Jasen Bronec CFO

2015 COMMUNITY CONTRIBUTIONS (as of December 31, 2015)

Operation Round IIn day	
Operation Round Up donations Touchstone Energy sponsorships Scholarships	\$58,232.03
outotarshing	\$27 007
Educational grants	\$17,500
	\$45,390.30



A Touchstone Energy® Cooperative

Contact Us:

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

Our Offices:

Montrose Office

11925 6300 Road Montrose, CO 81401 M - F, 8am - 5pm

Read Office

21191 H75 Road Delta, CO 81416 M & W, 9am - 4pm