

## 2021 ANNUAL REPORT

FROM PRESIDENT DAVID SITTON AND GENERAL MANAGER JOSH DELLINGER

EMPIRE  
ELECTRIC  
ASSOCIATION*Echoes of the Empire*

JUNE 2022

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**web** eea.coop[facebook.com/EEACortez](https://facebook.com/EEACortez)**Monthly Calendar**

**June 10** – EEA's board meeting begins at 8:30 a.m. at its headquarters in Cortez. The agenda is posted 10 days in advance of the meeting at eea.coop. Members are reminded that public comment is heard at the beginning of the meeting. Meeting restrictions due to health concerns may require the meeting to be held remotely.

**June 15** – Continuing Education Scholarships due

**June 23** – Annual Meeting

Last year we noted that 2020 was one of the most unusual and challenging years Empire Electric Association has experienced. We were hoping for a return to normalcy in 2021, and we are sure many of you were as well. However, the challenges seem to just keep coming. Inflation, supply chain disruptions and global unrest have created a challenging business environment to say the least. Prices for transformers, wire, line hardware and conduit have all increased by 25% to 60% in the past six months. Freight surcharges have increased 30% to 50%. Suppliers are no longer quoting firm prices, which means that we pay whatever the price is when the product ships.

Even with higher prices, materials are in short supply. We previously could order items and expect to receive them in a few weeks; now, lead times for those same items can be a year or more. Furthermore, EEA experienced the largest percent load loss of any entity that participated in a recent electric cooperative survey. CFC, one of our lenders, conducts an annual nationwide survey of electric cooperatives. Our 30.4% load loss in 2020 was the highest out of the 812 cooperatives that participated in the survey. Reduced sales coupled with increased expenses indeed make for an extremely challenging business environment for EEA.

Things may seem dreary, but we are in the business of making things brighter. EEA is blessed with a board that provides steady leadership, employees who are dedicated to their jobs, supply partners that promote cooperative principles, and consumer-members who strongly support their electric cooperative. With these assets, your electric cooperative continues to adapt and overcome as we fulfill our mission to safely, responsibly, and reliably meet your electrical energy needs. EEA successfully delivered a rate reduction in 2021. We are proud to affirm that not only will you be able to continue enjoying this rate reduction, but we also anticipate continued rate stability with no rate increases in the near future.

**SAFETY**

We are pleased to report that EEA experienced no lost-time accidents in 2021. We did incur one minor injury in 2021 that did not require medical care. We continue to strive for zero future incidents.

EEA remains committed to safety. We keep your lights on and we do so safely. We work hard to maintain a culture of safety in an industry that is inherently hazardous. The board is actively involved in promoting safety and the employees take ownership over our safety program. Additionally, EEA participates in the Rural Electric Safety Achievement Program (RESAP). This program is developed by the National Rural Electric Cooperative Association and is administered by the Colorado Rural Electric Association. RESAP involves an unannounced on-site safety assessment every three years. EEA's latest assessment was done this past summer. Volunteers from other cooperatives spent three days evaluating our safety program. They interviewed employees, inspected our facilities and observed crews while they worked. EEA earned high marks in every area evaluated in the RESAP inspection.

**RELIABILITY**

Our recent survey indicated that reliability is our consumer-members' top priority for EEA. While we have proven our commitment to ensuring reliable costs, we are likewise committed to providing you with reliable electric service. The average EEA consumer-member experienced 3 hours and 27 minutes of cumulative power loss during 2021. We experienced many weather events and completed several preventative maintenance projects that required outages this past year, which contributed to the higher-than-normal outage hours. However, our reliability was still a solid 99.96%. Our employees take pride in restoring outages safely and quickly.

In addition to responding to outages, we also proactively make system improvements to enhance our reliability. One major project in this regard is constructing a 69-kilovolt line from Rocky Mountain Power's (RMP) Pinto Substation to EEA's Monticello Rural Substation. We have been working on this project over the past few years in collaboration with RMP and our

## YOUR CO-OP NEWS

power supplier, Tri-State Generation and Transmission Association. This line will provide a back-up supply source for the Monticello area. Once finished, the line will allow Monticello to be served from Pinto should an outage occur on the primary source from Dove Creek. EEA is building the line while Tri-State and RMP are performing the work inside the substation. Construction has begun and we are on schedule to complete the project by the end of 2022.

### RATES

Our recent member survey revealed that cost was the second most important concern for our consumer-members. EEA works hard to provide you with reliable power and excellent customer service at an affordable price. As previously mentioned, we were happy to provide a rate decrease in 2021. Tri-State instituted a 2% decrease last year and we passed that decrease directly on to our consumer-members. In a world of rising prices, we expect this decrease was good news for you. Additionally, we seek to calm any concerns you might have for future rate increases with the aforementioned commitment to keep rates stable. Inflation and material shortages are significantly increasing our costs. EEA has absorbed these increases by cutting costs in other areas and we will continue to shield our consumer-members from market volatility to the best of our ability.

EEA implemented a rate structure change in 2021. Previously, there was only one rate per rate class. The new rate structure provides consumer-members with options. Consumer-members can now choose from an all-energy rate and a time-of-use and demand (TOUD) rate. The all-energy rate is a traditional two-part rate with a grid access charge and an energy charge. The TOUD rate consists of a grid access charge, on-peak and off-peak energy charges, and a distribution demand charge. The rate change was designed to be revenue neutral, meaning that the new rates were designed to produce the same overall revenue for EEA as the old rates under the same conditions. Though each rate class revenue was unchanged, some members within each rate class have seen increases in their monthly bill while other have seen decreases. These changes are a manifestation of the fairness of these new rates. They ensure that each consumer-member is paying closer to their fair share while still providing everyone with greater ability to make changes and save money.

### ELECTRIC SYSTEM

We added a net total of 124 services to our retail system in 2021. This corresponds to 0.7% growth, which is slightly higher than recent years. We also interconnected 70 new net-metered renewable generators and have a total of 369 net-metered services on our system. EEA purchased 412 MWH of excess generation from net-metered services in 2021.

EEA's three solar projects continue to move forward. The 2.2-megawatt Totten Lake Solar project is scheduled to be completed by the end of 2022. The 5-MW Montezuma Solar and 2-MW Rocky Ford Solar projects are scheduled for completion in early 2023. These projects are expected to provide downward rate pressure for our consumer-members.

### FINANCIALS

EEA ended 2021 in a strong financial position. Revenue was down

for the second year in a row, but purchased power expenses, which account for over 70% of our total expenses, were down as well. We ended the year with an operating margin of \$483,999 and a total margin of \$3,173,669. Our financial performance met all the board's established financial goals.

### COMMUNITY INVOLVEMENT AND MEMBER SERVICES

EEA continued its long tradition of contributing significant funds to the communities we serve in 2021. We donated nearly \$160,000 to community causes, including over \$60,000 for scholarships. We also returned over \$2.8 million in capital credits last year, bringing our grand total of returned capital credits to over \$37 million. Additionally, we partnered with Tri-State to provide approximately \$225,000 of energy efficiency rebates to our consumer-members in 2021.

EEA completed a major software conversion in 2021. Overall, the conversion went well. The transition was seamless for most consumer-members, but there were a few hiccups that affected a small percentage of folks. We appreciated your patience as we worked through those issues. Our new system has already provided EEA with greater functionality and will result in long-term cost savings. Additionally, consumer-members now have easy access to more information about their usage history and more robust analytics tools available online through SmartHub. You can access SmartHub through EEA's website at [eea.coop](http://eea.coop) or by using the SmartHub app on mobile devices.

### POWER SUPPLY

Tri-State continues to focus on rate reduction. As noted above, Tri-State instituted a 2% rate decrease in 2021. It set a goal in 2020 to reduce rates by 8% by 2023. That was an ambitious goal when it was originally set and reaching it has become even more challenging in our current high inflation business environment. We remain hopeful that Tri-State will continue to find ways to reduce overall costs even as material costs increase.

Tri-State's Contract Termination Payment (CTP) docket continues to work through the Federal Energy Regulatory Commission process. This is an important issue for all Tri-State members. FERC's decision will determine how contract termination payments will be calculated for members who want to leave Tri-State. If the CTP is too low, then remaining Tri-State members will have to pick up additional costs that are left by the departing member. We have submitted comments to FERC expressing our support for a methodology that ensures remaining members remain unharmed if a member departs. We will continue to monitor the case and participate as necessary.

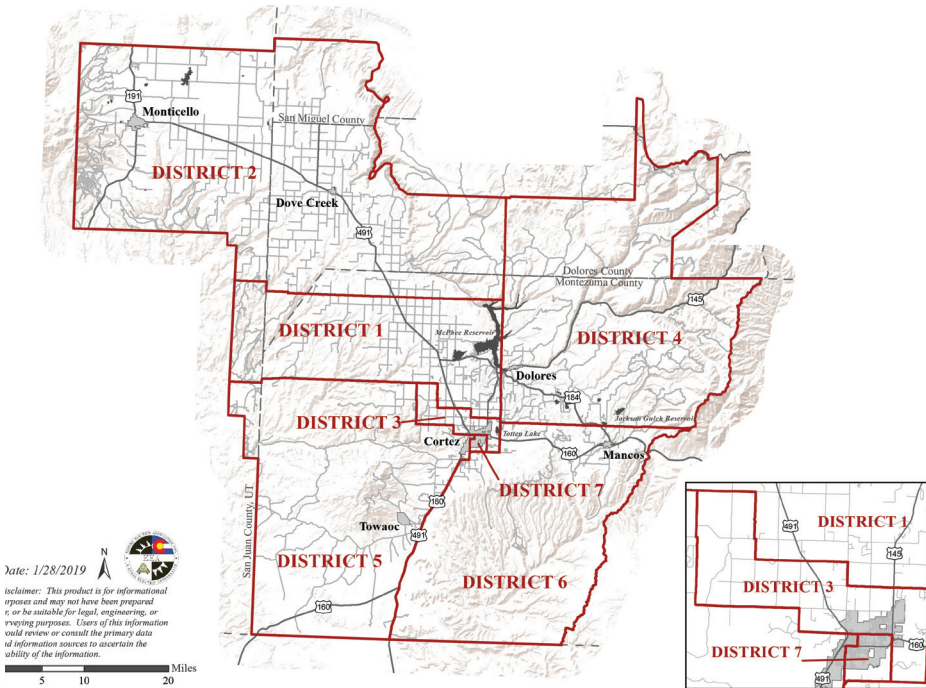
### THANK YOU

2021 marked EEA's 82nd year in business. We have overcome challenges in the past and we are equipped to navigate the future. We never take for granted the faith and trust you place in us to keep the lights on and keep rates affordable. Whatever challenges come our way, EEA remains committed to safely, responsibly and reliably meeting your electrical energy needs.

Thank you all for your continued support for your electric cooperative.



# EMPIRE ELECTRIC ASSOCIATION BOARD DISTRICTS MAP



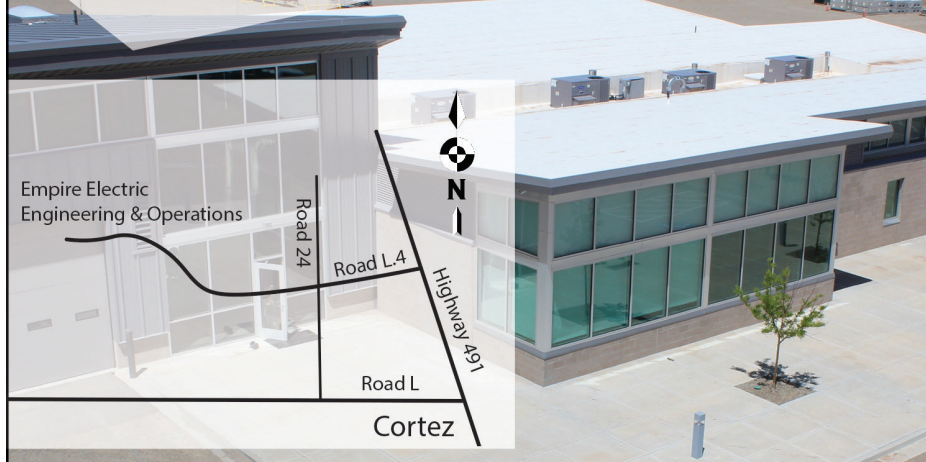
**The Annual Meeting of the Members of Empire Electric Association, Inc.**

**Thursday, June 23, 2022**

**EEA's Engineering & Operations Center  
23999 Road L.4, Cortez.**

**Registration begins at 4:30 pm  
Meeting starts at 5:30 pm**

**Members who attend will get a \$10 credit on their electric bill.**



## YOUR CO-OP NEWS



DISTRICT 1: JERRY FETTERMAN, SECRETARY TREASURER



DISTRICT 2: ROBERT BARRY



DISTRICT 3: AUDRA FAHRION



DISTRICT 4: NORMAN BUTLER



DISTRICT 5: KENT LINDSAY, VICE PRESIDENT



DISTRICT 6: DAVID SITTON, PRESIDENT

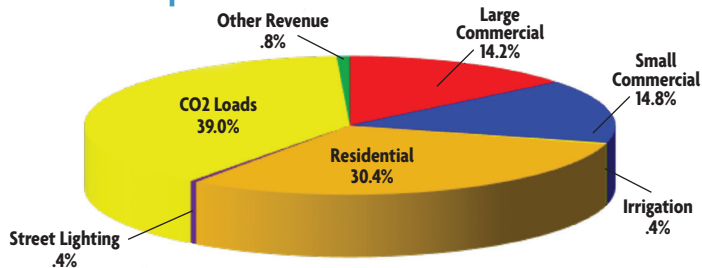


DISTRICT 7: LARRY ARCHIBEQUE

Business Profile	
Year Organized	1939
Power Supplier	Tri-State Generation and Transmission Association, Inc., Westminster, Colorado
Service Territory	Empire Electric's 3,410-square-mile service territory includes all of Montezuma County and parts of Dolores and San Miguel counties in Colorado and part of San Juan County in Utah
Workforce	56 full-time employees, 51 in Montezuma County, 3 in Dolores County and 2 in San Juan County, Utah
Annual Payroll	\$ 5,435,396
Total Plant in Service	\$ 98,356,084
Total Assets	\$ 122,070,999
Transmission System	107 miles of high-voltage transmission line
Distribution System	1,409 miles of overhead distribution line, 433 miles of underground distribution line and 20 substations
Annual Revenue	\$ 52,437,797
Operating Margin	\$ 483,999
Total Margin	\$ 3,173,669
Annual kWh Sales	519,025,373
Types of Service	Farms, ranches, irrigation, residential, light industrial, oil and gas pumping and a large carbon dioxide extraction project.

System Statistics	2011	2021
Total active services as of 12/31	15,660	16,651
Total miles of line	1,933	1,950
Total KWH purchased	649,574,653	528,624,664
Total KWH sold	637,732,024	519,025,373
Average monthly KWH usage for residential class	668	690
Average monthly billing for residential class	\$89.00	\$103.53
System peak demand kW	91,252	82,779
Month of peak	February	December
Number of full-time employees	58	56
Total margins	\$3,848,819	\$3,173,669
Cost per kWh purchased	7.901¢	9.828¢
Cost per kWh sold	8.047¢	10.010¢
Revenue per kWh sold	8.164¢	10.103¢
Capital Credits Retired		
Empire	\$765,848	\$1,281,500
G & T	\$28,487	\$1,546,557
TOTAL	\$794,335	\$2,828,057

## Where Empire's 2021 Revenue Came From



Statement of Operations	2021	2020
<b>Operating Revenue</b>		
Residential	\$15,946,328	\$15,550,158
Irrigation	220,577	315,222
Small Commercial	7,767,117	7,854,623
Large Commercial	7,452,168	9,290,769
CO2 Loads	20,446,672	24,537,703
Street Lighting	186,476	185,794
Other Revenue	418,459	319,072
<b>Total Operating Revenue</b>	<b>\$52,437,797</b>	<b>\$58,053,341</b>
<b>Expenditures</b>		
Purchased Power	\$38,068,660	\$44,090,892
Operations & Maintenance	7,059,224	6,863,287
Administrative & General	2,167,027	1,913,107
Depreciation & Amortization	3,115,532	3,127,937
Interest & Other Deductions	1,543,355	1,606,419
<b>Total Expenditures</b>	<b>\$51,953,798</b>	<b>\$57,601,642</b>
<b>Margins</b>		
Operating Margins	\$483,999	\$451,699
Non-Operating Margins	1,501,363	134,211
G&T and Other Capital Credits	1,188,307	1,336,823
<b>Net Margins</b>	<b>\$3,173,669</b>	<b>\$1,922,733</b>

Property Taxes	
Montezuma County	\$476,839
Dolores County	59,648
San Miguel County	2,956
San Juan County, Utah	53,006
Franchise Taxes Paid to Cities and Towns	711,467
Sales Tax	743,923
Payroll Taxes	404,879
Other Taxes	450
<b>Total 2021 Tax Obligations</b>	<b>\$2,453,168</b>

## Where Empire's 2021 Revenue Dollar Went

