

EMPIRE ELECTRIC ASSOCIATION

Echoes of the Empire

JUNE 2021

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June 2021

Energy Efficiency

Tip of the Month

A dirty filter causes your air conditioner to work harder than necessary. Remember to change your air filter every month (or every two months) to prevent dust buildup, which can lead to even bigger problems.

REPORT TO THE MEMBERS

FROM DAVID SITTON PRESIDENT
AND JOSH DELLINGER GENERAL MANAGER

The year 2020 marked EEA's 81st year in business. It was surely one of the most unusual and challenging years the cooperative has experienced. But electric cooperatives were formed in the midst of a challenge. Eighty-one years ago there was no power in rural southwestern Colorado or southeastern Utah. So, members banded together and formed EEA to overcome that challenge. Similarly, when the COVID-19 pandemic hit, your cooperative adapted to the circumstances and stayed mission-focused. Our mission is to "safely, responsibly, and reliably meet the electrical energy needs of our member-owners." Here is a brief report on how EEA continues to fulfill its mission, especially during challenging times.

Electric system

As noted in our mission statement, EEA is committed to safely supplying our members with reliable power. Regarding safety, there were no lost time accidents in 2020. We did have four minor personal injury reports. We are grateful that the injuries were minor, and we will continue to strive for no injuries in the future. Regarding reliability, the average time each consumer was without power in 2020 was 1.98 hours, which corresponds to 99.98% reliability. The world seemed to be in chaos around us, but EEA was right here doing what we do best — safely and reliably keeping the lights on for our members.

We continue to enhance our backfeeding capabilities to minimize time off during outages. One significant effort in this regard is establishing a back-up supply source for the Monticello area. Presently, Monticello is served off a radial line from Dove Creek. We have been working with Tri-State Generation and Transmission Association and Rocky Mountain Power over the past several years to establish a delivery point out of RMP's Pinto



DAVID SITTON



JOSH DELLINGER

Substation in Monticello. In the past there was not enough excess capacity at Pinto to meet our needs, but recent upgrades have increased the substation's capacity to a point that it can now serve as a back-up for EEA's Monticello members. We signed three-way contracts among EEA, Tri-State and RMP in 2020 that paved the way for establishing a Pinto delivery point for EEA. Tri-State and RMP will be responsible for the necessary work inside the substation while EEA will build the line from Pinto to our Monticello substation. We hope to have this project completed by the end of 2022.

EEA also continues to pursue solar projects that make sense for our members. We have three projects in development: Totten Lake Solar is a 2.2-megawatt project east of Cortez; Montezuma Solar is a 5-MW project north of Cortez; and Rocky Ford Solar is a 2-MW project south of Cortez. We hope to have all three completed by the end of 2022. These projects are expected to provide downward rate pressure for our members.

Community involvement and member services

As in past years, EEA gave back significant funds to the communities we serve in 2020. We returned over \$2.6 million in capital credits last year, bringing our grand total of returned capital credits to over \$33 million. We also donated nearly \$150,000 to community causes, including over \$60,000 for scholarships. Additionally, we partnered with Tri-State to provide approximately \$480,000 of energy efficiency rebates to our members in 2020.

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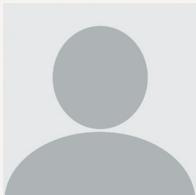
Board of Directors



District 1: Jerry Fetterman
secretary/treasurer



District 2: Robert Barry



District 3: vacant



District 4: Norman Butler



District 5: Kent Lindsay
vice president

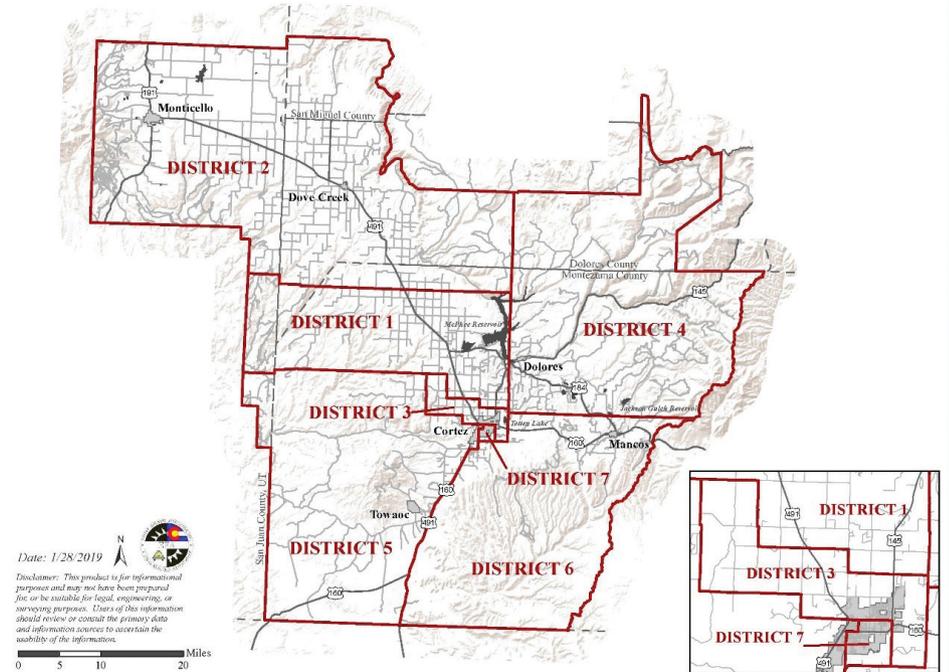


District 6: David Sitton
president



District 7: Larry Archibeque

Empire Electric Association Board Districts Map



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

Thursday, June 17, 2021

**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.**



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	\$5,154,209
Total Plant in Service	\$95,976,727
Total Assets	\$121,485,222
Transmission System	137 miles of high voltage transmission line
Distribution System	1,340 miles of overhead distribution line, 414 miles of underground distribution line and 20 substations
Annual Revenue	\$58,053,342
Operating Margin	\$444,744
Total Margin	\$1,922,732
Annual kWh Sales	592,826,859 kilowatt-hours (kWh)
Types of Service	Farm, ranches, irrigation, residential, light industrial, oil and gas pumping and a large carbon dioxide extraction project.

System Statistics

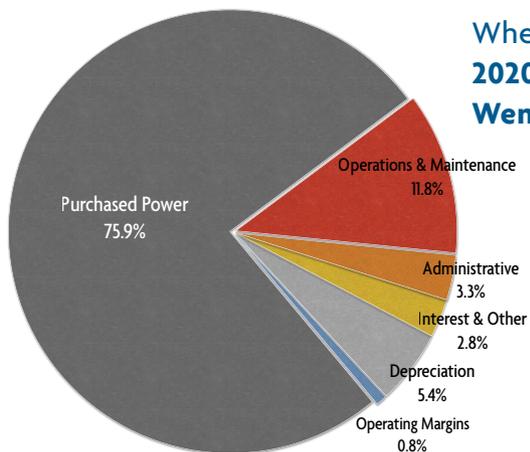
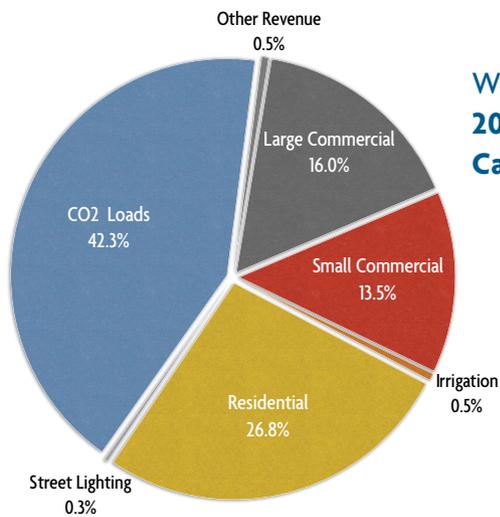
	2010	2020
Total active services as of 12/31	15,623	16,537
Total miles of line	1,932	1,890
Total KWH purchased	630,604,380	603,657,770
Total KWH sold	620,448,952	592,826,859
Average monthly KWH usage for residential class	679	684
Average monthly billing for residential class	90.19	102.79
System peak demand kW	88,082	109,884
Month of peak	December	January
Number of full-time employees	58	56
Total margins	\$4,428,575	\$1,922,733
Cost per kWh purchased	7.993¢	9.54¢
Cost per kWh sold	8.124 ¢	9.716¢
Revenue per kWh sold	8.306¢	9.793¢
Capital credits retired		
Empire	\$908,158	\$1,392,590
G & T	\$112,292	\$1,320,219
TOTAL	\$1,020,450	\$2,712,809

Taxes

Property Taxes	
Montezuma County	\$491,784
Dolores County	58,041
San Miguel County	3,344
San Juan County, Utah	53,123
Franchise Taxes Paid to Cities and Towns	716,429
Sales Tax	744,454
Payroll Taxes	372,454
Other Taxes	0
Total 2020 Tax Obligations	\$2,439,629

Statement of Operations

OPERATING REVENUE	2020	2019
Residential	\$15,550,158	\$15,393,172
Irrigation	315,222	280,913
Small Commercial	7,854,623	7,879,492
Large Commercial	9,290,769	10,340,179
CO2 Loads	24,537,703	41,285,721
Street Lighting	185,794	178,020
Other Revenue	319,072	321,068
Total Operating Revenue	\$58,053,341	\$75,678,565
EXPENDITURES	2020	2019
Purchased Power	\$44,090,892	\$61,711,363
Operations & Maintenance	6,863,287	6,812,044
Administrative & General	1,913,107	2,010,135
Depreciation & Amortization	3,127,937	3,213,168
Interest & Other Deductions	1,606,419	1,651,786
Total Expenditures	\$57,601,642	\$75,398,496
MARGINS	2020	2019
Operating Margins	\$451,699	\$280,069
Non-Operating Margins	134,211	368,171
G&T and Other Capital Credits	1,336,823	2,600,886
Net Margins	\$1,922,733	\$3,249,126



REPORT TO THE MEMBERS*[continued from page 7]*

EEA has implemented several options for our members to do business with us over the internet or phone during the past several years. Last year provided the ultimate test of our efforts when COVID-19 forced us into doing business remotely. The pandemic was not easy for our members or our employees, but the difficulties were softened by already having systems in place to facilitate remote operations. We reopened our office last summer and remain open should you desire to stop in. If it is more convenient for you to do business remotely, we have several options. You can start, stop and transfer service, apply for the Green Power Program, apply for energy efficiency rebates, pay bills, check account balances, check power usage, and more through our website. Our interactive voice response (IVR) system allows you to check account balances and pay bills over the phone. A self-serve kiosk at our headquarters building allows you to check account balances and pay bills. The website, IVR and kiosk are all available 24 hours a day for your convenience. We are here to serve our members. So, whether you come by the office, give us a call, or visit our website to do business, our aim is to make your experience as efficient and pleasant as possible.

Financials

Despite all the challenges, EEA ended 2020 in a strong financial position. Revenue was down, but so were expenses. Early in the pandemic we took measures to prepare for possible financial ramifications from COVID-19. We kept the lights on and kept providing excellent member service, but we ceased all non-essential spending. As a result, we did not incur some expenses we budgeted for in 2020. Our decreased expenses counteracted our decreased revenue and EEA ended the year with \$944,745 of operating margin. The EEA board voted to defer \$500,000 of this margin to be recognized in future years. Recognizing this deferred amount in future years will provide decreased rate pressure in those years. Those who were members in 2020 were allocated their proportionate shares of the total margin.

Rates

There were no rate increases in 2020. Costs continue to rise but we continue to counter those increases with more efficient operations in order to keep rates stable.

The board approved a rate structure change for 2021. The new structure will provide most of our members with two options: an all-energy rate and a time of use plus demand rate (TOUD). The all-energy rate will be the same as our current rate with a higher grid access charge. The higher grid access charge will recover our fixed costs more fairly. The TOUD rate will consist of a grid access charge, an on-peak energy charge, an off-peak energy charge, and a distribution demand charge. The new structure is expected to be revenue-neutral for EEA overall (i.e., EEA's total revenue will be the same), though individual members may see decreases or increases in their bills depending on the option chosen and usage habits.

One driver behind this change is member control. We hope to give members more control over their bills. Presently, most of our members have only one rate option: a traditional two-part rate that consists of an energy charge and a grid access charge. The only way for a member to reduce a bill is to use less energy. Members who choose the new TOUD rate will have the opportunity to lower bills not only by using less but also by modifying usage habits. In fact, most members will find that they can use the same amount of energy yet still lower their bill by planning when to use large appliances.

A second driver is fairness. As a member-owned cooperative that exists to serve its members, we strive to recover our costs to run the business in as fair of a way as possible. Traditional two-part rates worked well for years because services within a rate class had similar load profiles. Over the past few years, however, we have seen a rapid diversification of load characteristics among what used to be very similar services. A two-part rate that attempts to recover fixed costs through an energy charge, as EEA's currently does, inherently leads to higher load factor services subsidizing lower load factor services. This subsidization has grown greater as load profiles have become more diverse. One goal of this rate structure change is to lessen subsidization and more fairly charge for the products we provide

to our members. The two primary products we provide are a reliable distribution system and excellent customer service. The cost to provide these products is largely fixed and independent of the amount of energy we sell; yet our current rates attempt to recover these costs through an energy charge. By moving these costs out of the energy charge, the new rate structure will better align our costs with revenue streams and more appropriately charge for the value we bring to our members.

The new rate structure will become effective September 1, 2021. Members preferring to stay on the all-energy rate with an increased grid access charge should contact EEA between July 12 and August 20 to inform us of their preference. Any changes after August 20 will not take effect until September 6. Additionally, please feel free to visit eea.coop or contact us at any time to learn more about the new structure and analyze which option will be best for you.

Power supply

Tri-State announced in 2020 that it has set a goal to decrease its average wholesale rate 8% by 2023. This is welcome news for EEA and the rest of the Tri-State membership. Tri-State has done a tremendous job providing us with reliable power over the years and we are very pleased it has recommitted to providing affordable power as well. We encourage Tri-State to continue to focus on affordability and reliability as it moves forward.

Tri-State also continued to make strides in its Responsible Energy Plan over this past year and will continue to do so in future years. One element of its REP is the Dolores Canyon Solar Project, which is a 110 MW project sited in EEA's service territory. It is scheduled for construction in 2023 and will connect to the transmission system that delivers power to EEA.

Thank you

2020 was certainly challenging, but, as the old saying goes, "What doesn't kill you makes you stronger." Your electric cooperative is alive and well. We have navigated challenges in the past and we stand ready to navigate the future as we continue to safely, responsibly and reliably meet the electrical energy needs of our member-owners. Thank you for your continued support.