

2018 ANNUAL REPORT

President & General Manager Report: Year in Review

BY TOM SIFERS, GENERAL MANAGER
AND JEFF HAUCK, PRESIDENT

In 2018, Mountain Parks Electric, a local, not-for-profit electric cooperative, delivered 302 million kilowatt-hours with 99.9 percent reliability to its 20,811 consumer-members in North Central Colorado. As general manager, I can tell you that behind the scenes, the year felt like a sprint. The electric industry and the needs of MPE's membership are rapidly changing. Last year, MPE responded by positioning itself for the future — by making significant strides to secure more renewable power supply and to improve its grid capabilities and communications.

FINANCIALS

Weather, tourism, the economy and people's usage habits contribute to electric sales. In 2018, MPE's electric sales were higher than budgeted. Operating margins in 2018 for the cooperative equated 5.7 percent of sales that will be allocated to the 2018 membership base.

After announcing (in December 2018) an average rate adjustment of 1.1 percent effective January 1, 2019, better-than-expected, year-end financials negated the need for the rate increase. We have the cold weather in November and December to thank for this. On average, November was approximately 12 degrees colder per day in 2018 than 2017, and December was approximately 8 degrees colder per day. There is a direct correlation between cold weather and high electric consumption for heat-related loads like furnace fans, heat pumps, electric heaters, hot tubs and heat tape. The resulting energy sales negated the need for MPE to increase electric rates and apply deferred revenue to cover its operating costs. That deferred revenue will now be applied to the 2019 budget.

Another contributing factor to MPE's better-than-expected, year-end financials was new accounting revenue recognition requirements. Under the new requirements, MPE recorded unbilled revenue for electric power delivered but not yet billed as of the end of the 2018 fiscal year. This resulted in

an additional \$186,000 in revenue that was received in January 2019, but recorded in December 2018.

As a not-for-profit, member-owned cooperative, MPE raises electric rates reluctantly. Controlling operating costs is an ongoing challenge. Inflation continues to creep upward. Plus, MPE competes with utilities across the country for qualified employees to maintain its grid. Furthermore, because we are rural, MPE collects three to five times less revenue per mile of service than more urban, more densely populated areas served by investor-owned utilities like Xcel Energy.

Still, we endeavor to maximize our internal efficiencies. Over the past decade, MPE has downsized its workforce from 74 employees to 60, despite providing electric service to 1,500 additional meters. To reduce wholesale power costs, MPE also continually evaluates local generation opportunities and load control programs — like cycling water heaters, adopting a time-of-use rate for electric vehicle charging and implementing and analyzing meter data management.

SYSTEM RELIABILITY

Though everyone values 24-7-365 power, it is not something we often ponder. Our crews do a terrific, albeit often times invisible, job. Limiting outages is such a priority at MPE that our linemen, who follow stringent safety protocols, typically work on energized lines — a dangerous task. They do this for your benefit and mine. So that when we flip a light switch, we do so with the expectancy that there will be light. The truth is that in North Park and Middle Park, maintaining nearly 4,000 square miles of power lines is no small feat. We are challenged by wet, heavy snows, summer storms, high winds, rugged terrain and a forest full of beetle-kill trees. But even so, in 2018, MPE's annual average outage time per member was 136 minutes. Just over 2 hours. That's 99.97 percent reliability. It takes a talented work force to deliver this.



TOM SIFERS
GENERAL MANAGER



JEFF HAUCK
PRESIDENT

MPE ended 2018 with 33 percent renewable power supply. We purchase the power that we deliver to you from Westminster, Colorado-based Tri-State G&T. One third of Tri-State's power is generated from a combination of solar, wind and hydroelectric resources. MPE delivers additional local renewable power to you from Granby Dam, the town of Grand Lake's micro-hydro recovery system, hydro power from the Williams Fork Reservoir, the town of Walden's floating solar array and 139 residential and small commercial net-metered projects. Still, we aim to do more. This year, we plan to purchase more renewable energy from a 1-megawatt solar array in Jackson County and another one in the Fraser Valley. In total, the two solar arrays will generate enough electricity to power approximately 600 homes.

FIBER-OPTIC BACKBONE PROJECT

Like many utilities across the country, MPE is pursuing a fiber-optic backbone project to: (1) improve internal communications, (2) better manage the electric grid and (3) attract and open the door for third-party broadband providers to provide high-speed internet service. This is an investment in the future at a time when MPE's data needs are growing and an increasing number of smart-grid technologies that allow utilities to control power costs are coming to the market.

Our construction timeline for this project follows:

- Vantage Point, our contractor, completed design and staking for the project last fall.
- We are in the process of securing permits from CDOT, Union Pacific Railroad, US Forest Service and the Bureau of Land Management. We are also perfecting easements to make the fiber available for commercial use.
- We plan to construct the section from

Winter Park to Granby in 2019. We also hope to build to the Grand Lake area and to Hot Sulphur Springs. This will depend upon federal permitting.

COMMUNITY SUPPORT

MPE's 2018-2019 Winter Online Survey revealed an 80 percent favorability rating for our community support. Community concern is one of our founding principles. Here's a brief snapshot of our local support:

- Operation Round Up – Over the past 20 years, MPE has disbursed more than \$1.2 million to help income-qualified locals pay health care, living expenses and other pressing needs. The program also helps fund local organizations' efforts, like providing hospice care, workshops for those struggling with poverty and assistance for children and

adults with developmental disabilities.

- MPE disbursed more than \$30,000 last year (and more than \$170,000 since 2010) to incentivize the installation of local renewable energy projects.
- Over the last 15 years, MPE has provided more than \$200,000 (funded by members' unclaimed capital credits) in college scholarships to students from local school districts.
- MPE continues participating in its annual cancer fundraiser, the Pink Hard Hat campaign, through which we raise money to help locals battling cancer in all forms.
- Plus MPE continues supporting local science fairs, career fairs, high school sports, the Fifth Quarter Program, driver's ed programs, local non-profit events

and various school projects.

That's just the short list. Our consumer-members have responded with more thank yous than I have time to share.

THANK YOU

As a member-owned utility, we never forget that we work for you. On behalf of the MPE Board of Directors, its staff and all of its employees, thank you for your patronage and support.



Tom Sifers, general manager



Jeff Hauck, president

2018 ANNUAL MEETING MINUTES

MOUNTAIN PARKS ELECTRIC, INC.

Annual Meeting
Granby, Colorado | May 12, 2018 | 9:15 a.m.

Location

MPE's 69th Annual Meeting of the members was held at the Mountain Parks Electric, Inc., headquarters office, 321 West Agate Avenue, Granby, CO 80446.

Call to Order

General Manager Tom Sifers called the meeting to order at 9:15 a.m. Mr. Sifers asked for a moment of silence in honor of Rosemary Knerr, a former Mountain Parks Electric, Inc., employee.

Prayer, Pledge of Allegiance and National Anthem

Rich Trostel, MPE Operations Manager, led a prayer followed by the Pledge of Allegiance and National Anthem.

Introductions

General Manager Tom Sifers introduced the MPE Board of Directors, MPE attorney, and special guests.

Close Registration

General Manager Tom Sifers closed member registration.

Determination of Quorum

Attorney Williamson reported that 181 members had registered. An official quorum was present.

Proof of Mailing/Election of Directors

Attorney Williamson acknowledged the notice of the Annual Report/Annual Meeting and "Proof of Mailing" with 16,536 annual reports mailed on March 30th, 2018.

Approval of Minutes

Attorney Williamson presented the minutes of the May 13, 2017 MPE Annual Meeting for approval.

Motion: Member Carl Montoya moved to approve MPE's May 13, 2017 Annual Meeting minutes as presented in the annual report. The motion passed unanimously.

Director Elections

Attorney Williamson presented the director election results for District 2.

District 2 Election Results

Attorney Williamson reported that incumbent director Richard Zieff ran uncontested for the District 2 director position and therefore he is deemed elected for a four (4) year term.

Collection of Floor Ballots

Attorney Williamson called for ballots to be collected and tallied

by Mountain Parks Electric, Inc., Election Committee. The election committee is composed of five volunteers: Bill Tomasek, Sue Tomasek, Greg Guthridge, John Weninger and Bob Saint.

President's Report

MPE President Jeff Hauck presented his report.

Tri-State Report

Mike McInnes, CEO of Tri-State, discussed Tri-State's relationship with MPE and its other members.

Colorado Rural Electric Association Report

Kent Singer, CEO of CREA, discussed CREA's current initiatives.

Operation Round Up Report

Clare Rutila, Charitable Trust president, presented an update on MPE's Charitable Trust.

Green Power Program Report

Liz McIntyre, Green Power committee member, presented a report on MPE's Green Power Program.

Scholarship Award Presentations

MPE directors announced the following scholarship winners:

- Nicholas Lawrence of Middle Park High School was awarded a \$2,500 Rosemary Knerr Memorial Scholarship.
- Emma Enebo of Middle Park High School was awarded a \$2,000 Mountain Parks Electric Academic Scholarship.
- Madeline Van Bemmelen of Middle Park High School was awarded a \$1,000 Basic Electric Scholarship.
- Abigail Turner of Middle Park High School was awarded a \$2,000 Mountain Parks Electric Scholarship.
- Raelee Granger of Middle Park High School was awarded a \$2,000 Mountain Parks Electric Scholarship.
- Janna McNulty of Middle Park High School was awarded a \$1,000 Mountain Parks Electric and Tri-State G&T Matching Scholarship.
- Nicolas Martin of North Park High School was awarded a \$2,000 Mountain Parks Electric Vocational Scholarship.
- Hannah Dilly of North Park High School was awarded a \$2,500 Rosemary Knerr Memorial Scholarship.
- Martha Elze of North Park High School was awarded a \$2,000 Mountain Parks Electric Academic Scholarship.
- Austin Bertron of North Park High School was awarded a \$2,000 Mountain Parks Electric Scholarship.
- Kacie Babcock of North Park High School was awarded a \$1,000 Mountain Parks Electric Scholarship Committee Scholarship.
- Sydney Ritschard of West Grand High School was awarded a \$2,500 Rosemary Knerr Memorial Scholarship.

- Ralin Corrales of West Grand High School was awarded a \$2,000 Mountain Parks Electric Scholarship.
- Garrett Miller of West Grand High School was awarded a \$2,000 Mountain Parks Electric Scholarship.
- Joshua O'Hotto of West Grand High School was awarded a \$1,000 Mountain Parks Electric/Tri-State G&T Matching Scholarship.
- Ryan Christianson of Middle Park High School was awarded a \$2,000 Mountain Parks Electric Scholarship.
- Cole Walker of Middle Park High School was awarded a \$2,000 Mountain Parks Electric Scholarship.

Essay Contest Winners

MPE directors announced the following essay contest winners:

- Morgan Jones of West Grand High School was awarded a Washington DC Youth Tour trip.
- Jayden Edson of West Grand High School was awarded a Youth Leadership Camp trip.

General Manager Report

MPE General Manager Tom Sifers presented his report and a series of polling questions.

Open Forum

Jeff Hauck, MPE Board president, and General Manager Tom Sifers opened the meeting to an open forum for questions or concerns of the membership. Several questions were asked by members.

Thank you

General Manager Tom Sifers thanked the MPE employees for their efforts planning and volunteering for the annual meeting.

Old Business

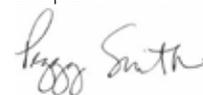
No old business.

New Business

Attorney Williamson reported the board election results for District 5. The cooperative received 481 mail in ballots and 7 floor ballots for a total of 488 ballots. The results are as follows: Jeff Hauck votes – 304 and Les Shankland votes – 184.

Door Prizes

Door prizes were drawn and presented to MPE members.



Secretary/Treasurer

FINANCIALS | BALANCE SHEET

December 31, 2018



ELECTION OF BOARD OF DIRECTORS

Mountain Parks Electric is managed by a board of seven members, known as directors. For the purpose of the election of directors, the areas serviced by the cooperative are divided in seven districts. The term of each director selected at a district election commences upon his or her election for a term of four years thereafter. District director elections are held at the annual meeting of the members. Directors exercise all of the powers of the cooperative, except those powers conferred upon and reserved to the members, according to the bylaws of MPE.

One (1) petition for the District 3 and two (2) petitions for the District 1 election were submitted to the board within the time permitted for nominations.

District 1: Peggy Smith – Fraser/Tabernash (east side of US Hwy 40)

Kristen Taddonio – Fraser/Tabernash (east side of US Hwy 40)

District 3: Carl Trick (incumbent)–Jackson County

Members of the cooperative are entitled to vote for one candidate in their district either by mail-in ballot provided by the cooperative, or in person at the annual meeting. If you are a member in District 1, you will be mailed a ballot for the District 1 Director Election, postmarked no later than April 1, 2019. Your ballot must be mailed to Mountain Parks Electric no later than the close of business day on April 26, 2019.

Members residing in District 3 will not receive mail-in ballots as this is an uncontested election. For additional information, please refer to MPE Bylaws, or call MPE at 970-887-3378.

Assets	2017	2018
Total Utility plant	\$97,606,383	\$100,261,263
Accumulated Depreciation	<u>\$(31,205,284)</u>	<u>\$(33,986,383)</u>
Net utility plant	\$66,401,099	\$66,274,880
Other property & investments	\$24,859,464	\$25,045,759
Current assets	\$10,041,023	\$14,983,540
Deferred debits	<u>\$3,222,683</u>	<u>\$13,174</u>
Total Assets	<u>\$104,524,269</u>	<u>\$106,317,353</u>

Equities & Liabilities		
Patronage capital & equity	\$54,187,435	\$56,733,905
Long-term debt	\$38,998,120	\$37,775,728
Current liabilities	\$5,411,113	\$5,098,266
Other credits	<u>\$5,927,601</u>	<u>\$6,709,454</u>
Total Equity & Liabilities	<u>\$104,524,269</u>	<u>\$106,317,353</u>

Statement of Operations	2017	2018
Operating revenues	<u>\$36,228,883</u>	<u>\$38,398,341</u>
Cost of power	\$22,120,267	\$23,455,334
Operating Expenses	\$9,125,493	\$9,286,003
Depreciation	\$3,037,448	\$3,003,666
Interest	\$1,671,224	\$1,619,680
Other expenses	<u>\$22,764</u>	<u>\$16,439</u>
Total	<u>\$35,977,196</u>	<u>\$37,381,122</u>

Operating Margins	\$251,687	\$1,017,219
Interest Income	\$438,117	\$474,913
Non-Operating Margins - Other	\$106,577	\$105,743
Patronage Capital (Other)	<u>\$1,419,521</u>	<u>\$1,118,197</u>
Total Margins	<u>\$2,215,902</u>	<u>\$2,716,072</u>

Operating Expenses		2017		2018
Power cost	61.48%	\$22,120,267	62.75%	\$23,455,334
Operations & maintenance	13.58%	\$4,885,483	14.42%	\$5,391,382
Customer Accounts	3.57%	\$1,284,150	3.60%	\$1,345,771
Customer service & sales	0.85%	\$306,995	0.97%	\$361,242
Administration	7.43%	\$2,671,629	5.90%	\$2,204,047
Depreciation	8.44%	\$3,037,448	8.04%	\$3,003,666
Interest	<u>4.65%</u>	<u>\$1,671,224</u>	<u>4.33%</u>	<u>\$1,619,680</u>
	100.00%	<u>\$35,977,196</u>	100.00%	<u>\$37,381,122</u>

2018 MPE Statistical Information

Counties Served: Grand, Jackson, Summit, Routt and Larimer

Number of Employees: 60

Year organized: 1946

RUS Borrower No.: Colorado 42

Total plant in service: \$ 96,386,491

Property taxes: \$ 444,654

Monthly board meetings:
2nd Thursday of the month

Power Source: Tri-State Generation & Transmission Association, Inc.

Consumers per mile: 11

Miles of line: 1,838

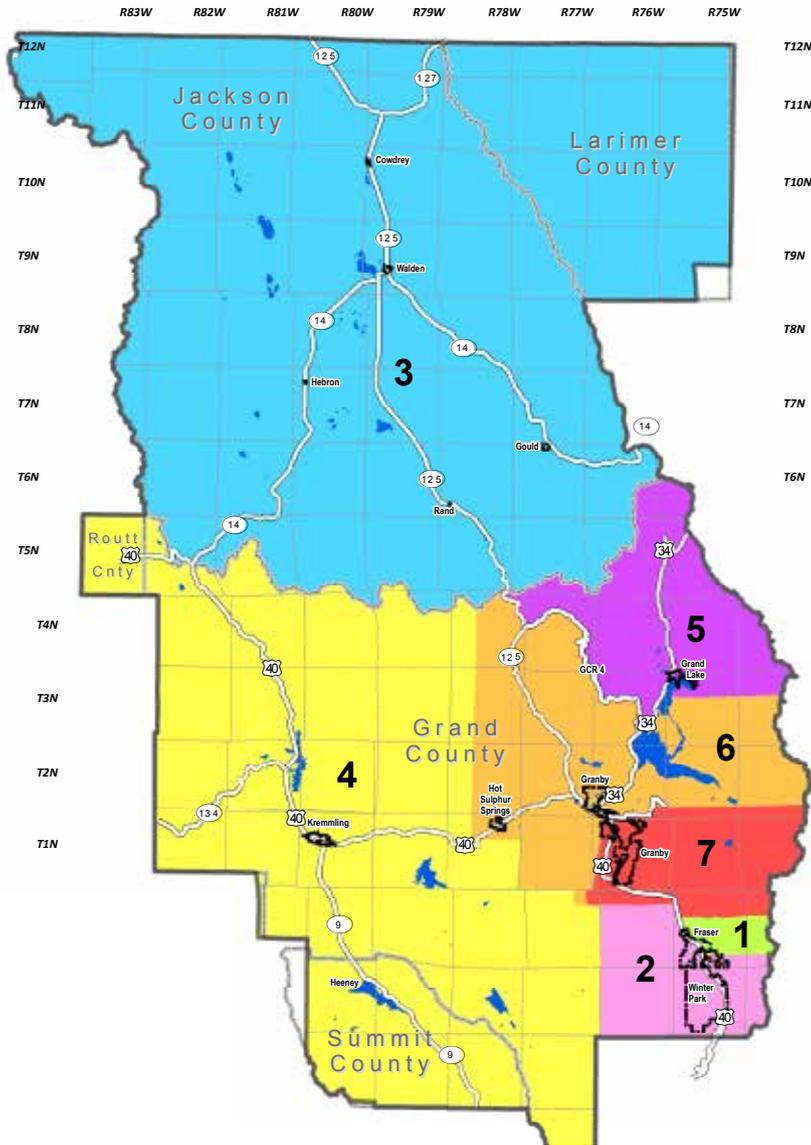
Meters served: 20,745

Interest paid: \$ 1,619,680

New services added: 363

MPE DIRECTOR DISTRICTS

District 1	District 2	District 3	District 4	District 5	District 6	District 7
						
Peggy Smith Secretary/Treasurer	Richard A. Zieff Vice President/ Western United Rep.	Carl Trick II Assistant Secretary/ Treasurer	Mark Volt Assistant Secretary/ Treasurer	Jeff Hauck President	Justin Fosha Assistant Secretary/ Treasurer	Liz McIntyre Assistant Secretary/ Treasurer



NOTICE OF ANNUAL MEETING

**Mountain Parks Electric, Inc.
70th Annual Meeting**

Saturday, May 11, 2019
MPE Main Office Warehouse
321 W. Agate Avenue
Granby, CO 80446

8:00 a.m. Registration and breakfast
9:15 a.m. Business session is called to order

Welcome

- Close registration
- Determination of quorum
- Notice of Annual Meeting proof of mailing
- Approval of minutes-Annual Meeting May 12, 2018
- Announce Results of Districts 3 Election
- Announce Collection of District 1 Floor Ballots
- President's Report
- Committee reports
- Scholarship Awards & D.C. Youth Tour & Leadership Camp Recognition
- General Manager's Report
- Open Forum
- Old Business
- New Business – Director 1 Election Results
- Adjourn

Statement of Nondiscrimination

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English. To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov. **This institution is an equal opportunity provider.**