

SANGRE DE CRISTO ELECTRIC ASSOCIATION 2018 ANNUAL REPORT

BY JOE REDETZKE BOARD PRESIDENT AND PAUL ERICKSON CEO

In 2018, Sangre de Cristo Electric Association experienced growth in the number of services provided to consumers and completed several major projects, which position us well to serve the power demands of our communities in the future.

Access to electricity is an essential component of our personal well-being. It is also an essential component of providing health care, running a business, operating schools and more. Not only is it crucial for SDCEA to provide power in our region each day, it is key for us to plan to continue to deliver reliable, affordable power well into the future. To do that, SDCEA concentrates not only on every bolt, line, pole or other delivery component of power distributed to your home or business, we also embrace innovative ideas and projects as we move forward. SDCEA now provides power to more than 13,000 households, businesses and agricultural operations throughout our region in south-central Colorado.

RENEWABLE ENERGY

The most visible example of SDCEA's effort to deploy innovative ideas to best serve our consumers in the future is the completion of the Trout Creek Solar project, located on Colorado Department of Corrections' property south of Buena Vista. The 2-megawatt utility-scale solar facility was constructed in 2018 and became fully operational in early 2019. It is a multi-year, multi-party, public and private partnership unlike any solar project in Colorado.

For the project to come together, Trout Creek had to be cost-effective to our consumers. At a minimum, it had to be cost-neutral. Extensive contractual talks were held between SDCEA, our wholesale power supplier Tri-State Generation and Transmission, the state of Colorado, the Colorado Department of Corrections, and juwi, Inc., the company that developed the

project. These numerous negotiations and deliberations were to ensure that the project would benefit our consumers.

At several points during negotiations, the project appeared to be in danger of being scrapped as not viable economically or logistically. Through continual negotiations with all parties involved, agreements were reached, and Trout Creek Solar was approved and constructed — all within 18 months. SDCEA forecasts Trout Creek Solar will provide a portion of our power costs at long-term stable rates for the next 20 years.

On another renewable front, SDCEA reviewed and streamlined its permitting process for private solar and renewable energy production. More than 317 SDCEA consumers in 2018 used net meters — meters that measure the generation of power through individual solar, wind or hydro generation, such as that from roof-top solar panels or wind turbines at a home or business. By adding consumer net-meter output to Trout Creek Solar's estimated production, more than 7 percent of SDCEA's power will be produced from locally-produced, renewable energy in 2019.

Tri-State Generation and Transmission obtains about 30 percent of its energy mix from renewable sources including solar, hydro and wind and is continually seeking additional renewable energy supply sources.

SDCEA continues to be a leader in the area of renewable energy. The total of the renewable energy supply from the above sources amounts to about 40 percent of SDCEA's power supply provided by renewable sources. That is roughly double what will be required by state law in the year 2020.

ELECTRIC VEHICLE CHARGERS

Rounding out our commitment to clean energy in 2018, SDCEA was awarded a \$39,000 Electric Vehicle Charging Station grant by the Colorado Energy Office for



JOE REDETZKE
PRESIDENT



PAUL ERICKSON
CEO

a Level 3 charger and a two port Level 2 charger, which we installed in the South Main neighborhood in Buena Vista. The Level 3 charger is the only Level 3 charger in the region.

Electric vehicle chargers now fall in to one of three categories.

- **A Level 1** charger is generally for home use and typically requires an 8-hour charge to re-power a vehicle after the battery has been discharged.
- **A Level 2** charger generally takes 3 hours to charge a vehicle. In addition to our South Main chargers, two dual-slot Level 2 chargers were installed by the town of Buena Vista.
- **A Level 3** charger cuts charging time down to one-half hour. This is the only non-Tesla Level 3 station in the region.

The general purpose of the project is to deploy electric vehicle charging stations throughout the state of Colorado to encourage expanded use of electric cars in Colorado. Among other factors, consumers cite range anxiety, or the inability to find public charging, as one of the top reasons they do not use electric vehicles.

Besides being convenient to access for local drivers, the station is expected to bring an economic benefit to the area, attracting visitors to pull off US 285/24 to charge their vehicles. Data collected from the station will be contributed for use for consumer education on a state and national level, and to determine use patterns and the economic model needed for future charging stations.

Additional highlights from 2018 follow.

DIRECTOR CANDIDATES



FREMONT COUNTY
Geoffrey Gerk
Incumbent

- Resident of western Fremont County since 1982.
- Sangre de Cristo Electric Association board member since August 2017.
- Completed course work for Credentialed Cooperative Director and Board Leadership Certificate through NRECA (national electric co-op association).
- Graduate of University of Northern Colorado, BA English; Western State College, MA School Administration.
- Fremont RE-3 teacher, counselor, coach, principal, and superintendent. Responsible for 375 students. Led 50+ employees. Managed \$4 million budget.
- Regional coordinator (student teachers) for Western State Colorado University.
- Served on Sunwest Credit Union Advisory Board, Pueblo Community College-Fremont Campus Advisory Board, CDE Commissioner's Superintendent Advisory Council, Colorado On Line Board, Chair Southern Colorado Superintendent's Association.



CUSTER COUNTY
Tommy G. Flower
Running unopposed

- Grew up in a farming and ranching family with five brothers. Had extensive backgrounds in showing horses and livestock, as well as dryland wheat production in eastern Colorado.
 - Graduated from high school from Idalia. Received an associate arts degree from Northeastern Junior College in Sterling and a Bachelor of Science degree in agriculture education from Colorado State University. Awarded a Masters of Education degree in technology in education from Leslie University.
 - Started agriculture education teaching career in Otis in 1976 and finished teaching career in 2011 after teaching in Custer County for 23 years. Taught agriculture education for a total of 27 years.
 - Farmed, ranched and worked as a mine superintendent in Nevada and Utah, and managed two cutting horse ranches in Westcliffe and Idaho.
 - In November 2017, elected as the County Commissioner for District 3 in Custer County to fulfill a three-year term. Current term will expire December 31, 2020 and plans to run for the office for two more 4-year terms following the end of this term.
- "I will bring a well-rounded education and work experience to the board of directors and I can represent the members of Sangre de Cristo Electric Association in a productive and positive manner. I am excited about the opportunity to serve as a board member on what I believe is one of the most professionally-run organizations that I have dealt with."

MEMBERS, METERS AND SERVICES

- At year-end 2018, there were 13,059 meters (service locations) on our system.
- SDCEA added 275 new services in 2018, compared to 195 added in 2017.
- There were 317 net meter accounts (measuring private wind, hydro or solar generation), up from 263 in 2018.

CAPITAL CREDITS

- SDCEA capital credits totaling \$228,224 were refunded to members from the year 1995. Tri-State capital credits totaling \$228,224 were refunded to members from the years 2000 and 2001.

IN OUR COMMUNITIES

- Charitable giving in the SDCEA service territory totaled \$19,400.
- Students in our service territory received scholarships totaling \$39,000. SDCEA also awarded \$1,000 in Basin and \$1,000 in Tri-State scholarships.
- Five area students attended the 2018 Youth Tour in Washington, D.C., in June.
- Employee Len Gates of SDCEA attended the 2018 Youth Tour as a chaperone.
- Self-serve and online Community Room scheduling platform was implemented.

OPERATIONS

In 2018, SDCEA invested in line and pole replacements, transformer upgrades and a power transformer at the Howard Substation to increase reliability in our power supply. SDCEA's 'up' time, the amount of time power is available to our consumers, is more than 99% of the time. We know this is hard to think about when you are experiencing an outage, but we are proud of our service delivery and continue to work on ways to improve on that delivery every day.

The summer of 2018 brought drought and fire concerns. Out of concern during last summer's weather cycle, SDCEA's power delivery system was placed on fire prevention standards.

Other projects that helped our cooperative meet the demands of construction growth and reliability included:

- A pole replacement project on the Querida feeder near Westcliffe.
- The Buena Vista 3-phase line was rebuilt on the east side of town to meet town growth demands and improve reliability.
- Glen Vista subdivision's underground line was replaced to improve reliability.
- Miscellaneous underground line replacements took place from the north to the south ends of SDCEA's five county territory.

CONSUMER SERVICES

It's a priority at SDCEA to provide consumers with helpful, clear, informative account information. We also strive to provide account information whenever an account holder would like to access it, so many of these services are available online 24/7 at our website, www.myelectric.coop.

- Access to energy-efficient appliance rebate bill credits through forms consumers may submit easily from home, without having to make copies, mail the rebate forms or drop them by our office.
- Access to website forms that were developed and implemented for consumers who wish to start or stop service, begin construction, make general inquiries and more online.

For those who prefer more traditional forms of contact with SDCEA (calling in or dropping by), several improvements were made to our call-in and walk-in services.

- For outage reporting and other business hours contact, the phone tree to the main contact line was restructured to improve customer call handling.
- A video monitor was designated to broadcast SDCEA information to consumers visiting our lobby in Buena Vista.
- A computer kiosk was placed in Buena Vista's front lobby for public use to access account information and to conveniently pay bills.

PROFESSIONAL EXCELLENCE

To obtain the skills, acumen and knowledge

necessary for a well-run cooperative, our board of directors committed to ongoing education from the National Rural Electric Cooperative Association. In 2018, Directors Charles A. Abel, II, Geoff Gerk and Joe Redetzke attained Board Leadership Certification. Directors Don Kaufman and Suzy Kelly continued to maintain their Director Gold status.

Director Dan Daly was re-elected to a second term, having served on the board from 2016 to present. Director Abel was re-elected to a second term, having served on the board from 2015 to present.

SDCEA President Don Kaufman was term-limited as president in 2018. Joe Redetzke was elected president of the board of directors. Also elected to the leadership were Dan Daly, vice president; Suzy Kelly, secretary; and Charles A. Abel II, treasurer.

Employees who attained professional certification included Tracy Linza, who attained the Professional and Human Resources certification or PHR; and Chris McGinnis, who earned a Certified Cooperative Communicator designation.

SDCEA was recognized among its peers in 2018. SDCEA received an award for a *Colorado Country Life* photo depicting rocky conditions on a jobsite near St. Elmo. An SDCEA photo featuring Santa on an electrical pole near Mt. Princeton was featured by NRECA, the Colorado Rural Electric Association and other outlets, including other co-ops that used the photo for their own holiday messaging.

Finally, employee Len Gates and SDCEA were featured in a national rural electric magazine in December by a national utility software provider.

HUMAN RESOURCES

- Three long-time, well-known employees, Lynn Culp, Dana Douty and Steve Eggleston, with a combined 108 years of employment at SDCEA, retired in 2018.
- New employees in 2018 included Jaye Culp, engineering clerk I; Colton Blankenbeckler, apprentice lineman; and

Chris Eastin, headquarters custodian.

Promotions and job changes included: Ryan Doke, from journeyman lineman to line superintendent; Preston Ellis, from journeyman lineman to lead lineman; Brad Lambert, from maintenance tech/utility worker to purchasing agent; Tracy O'Brien, from engineering clerk I to maintenance tech/utility worker; Marilyn Propernick, from part-time custodian to full-time lead custodian; and Ruth Teipel, from customer service representative I to CSR II.

If you have not recently visited our website, myelectric.coop, please do so. It is a source for frequently-updated news and information about SDCEA. We have added a tremendous amount of functionality for

you. You may also now go online at any time convenient to you and start new or transfer service, pay bills, review usage online, submit rebates, email us and much more.

As always, if you prefer to drop in and do business in person, we still have a friendly consumer service staff at our headquarters in Buena Vista and you are welcome to call us during normal business hours with questions about your electric service, either at 719-395-2412 or toll-free at 844-395-2412.

We invite you to join us at our annual meeting 10 a.m. June 20 in Westcliffe at Cliff Lanes. Thank you for your time and interest in reading about this electric cooperative.

78th ANNUAL MEETING CONDENSED MINUTES

June 20, 2018 | COTOPAXI, COLORADO

The 78th Annual Meeting of the members of Sangre de Cristo Electric Association, Inc., (SDCEA) was called to order by President Donald L. Kaufman at 10 a.m. on Wednesday June 20, 2018, at Cotopaxi Consolidated Schools, Cotopaxi, Colorado.

Invocation – Kaufman introduced Donnie Schell to give the invocation.

Pledge of Allegiance – Kaufman led the Pledge of Allegiance.

National anthem – Kaufman introduced Lou Collins to sing the national anthem.

Annual meeting notice, certificate of mailing – Attorney Jack Wolfe presented the annual meeting notice and certificate of mailing. Wolfe reported the meeting notice was mailed to all consumers of record addressed according to information on file, as of the date of record of April 23, 2018. He presented the 2017 annual report and noted it was distributed in the June issue of the *Colorado Country Life* magazine.

Quorum requirements – Wolfe reported quorum requirements are 50 members registered in person. 60 members registered. Wolfe declared a quorum present.

Close registration – Wolfe closed registration at 10:05 am

Introduce director nominees – Wolfe introduced director nominees.

Uncontested:

Rural Chaffee/Lake Counties – Charles A. Abel II

At Large – Dan C. Daly

Election of directors – Wolfe reported that Rural Chaffee/Lake Counties director Charles A. Abel II, and At Large director Dan Daly are running unopposed, and all directors may be elected by voice vote. Motion carried to elect Abel and Daly to three-year terms by voice vote.

Minutes of the 77th annual meeting – Wolfe entertained a motion to dispense with the reading of the minutes of the 77th annual meeting held June 8, 2017, and approve them as written. Motion carried.

Introduce Guests – Erickson introduced guests: former directors Phil DeLuca, Arlie Riggs and Howard Eggleston; former employee Kenneth Goertz; Tri-State Generation & Transmission CEO Mike McInnes; Tri-State Generation & Transmission Relationship Manager Matt Fitzgibbon; CREA Director of Government

Relations Geoff Hier; and CREA Board President Jim Lueck.

President's report – Kaufman discussed the SDCEA mission statement and what it means to our members. He also mentioned the time requirements of directors to complete education necessary to lead the co-op responsibly.

Introduce directors – Kaufman introduced directors present.

CEO's report – Erickson talked about the differences between cooperatives, municipal utilities, and investor-owned utilities reporting co-ops own 42% of all power lines serving only 12% of all electric customers.

Treasurer's report – Abel presented the treasurer's report and addressed the 2017 financial data as shown in the annual report.

Power supply report – McInnes discussed Tri-State territory boundaries, number of meters and miles of transmission lines, and inflation of items used by people in the U.S.A. Electricity has inflated at a slower rate than other consumer goods.

Colorado Rural Electric Association report – Hier explained what CREA is and what it does for its members, including lobbying at the state level and reviewing current legislative issues.

Operation Round Up – Erickson introduced Suzanne Kelly, the director participant of Operation RoundUp, who presented information to the members on the benefits of participating in Operation RoundUp

Old, unfinished or new business – There was no old, unfinished, or new business.

Questions – Erickson, McInnes, Hier and Fitzgibbons addressed comments and questions from consumers about employee response during outages, change to net metering buy back rates, the percentage of net meter consumers and the proposed solar project in Buena Vista.

Door prize drawing – Drawings were held for one \$100 bill credit, two \$50 bill credits, four \$25 bill credits, one television provided by Tri-State, and three \$50 True Value gift cards provided by Western United Electric Supply Corporation. Meeting adjourned at 11:41 a.m.

Respectfully submitted,
Suzanne Kelly, Secretary

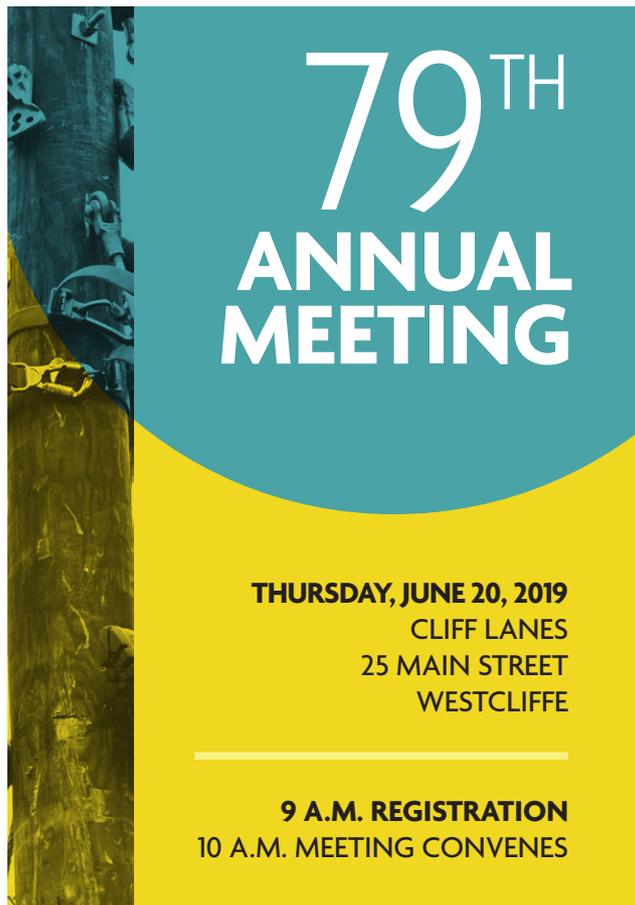
Attest:
Joe Redetzke, Chair

2018 FINANCIALS

COMPARATIVE BALANCE SHEET		
Assets	12/31/2017	12/31/2018
Total utility plant	\$63,466,790	\$65,438,291
Accumulated provision for depreciation	(18,766,193)	(20,518,917)
Net utility plant	44,700,597	44,919,374
Total other property and investments	11,021,762	11,075,033
Cash-general funds	405,140	707,820
Cash-special construction funds	1	1
Investments	292,800	992,800
Accounts receivable	1,952,264	2,115,970
Material and supplies	759,841	798,411
Prepayments	9,005	14,663
Other current and accrued assets	13,841	59,060
Deferred debits	1,167,020	902,455
TOTAL ASSETS AND OTHER DEBITS	\$60,322,271	\$61,585,587
Liabilities		
Equities	\$2,806,358	\$3,495,318
Patronage capital	18,699,825	18,725,590
Long-term debt	33,383,622	33,065,484
Notes and accounts payable	1,249,703	1,377,159
Consumer deposits	335,225	358,625
Current maturities-long term debt	1,635,000	1,987,550
Other current and accrued liabilities	831,658	874,791
Regulatory Liabilities	450,000	900,000
Deferred credits	930,880	801,070
TOTAL LIABILITIES AND OTHER CREDITS	\$60,322,271	\$61,585,587

OPERATING REVENUE AND EXPENDITURES				
Operating revenue	2017	%	2018	%
Residential	\$13,967,304	72	\$14,389,516	72
Irrigation	118,138	1	113,166	1
Small commercial	4,183,584	22	4,471,654	22
Large commercial	741,038	4	723,147	4
Street lighting	70,280	0	84,490	0
Other electric revenue	177,172	1	168,470	1
SUB-TOTAL	19,257,516	100	19,950,443	100
Revenue deferral out	(450,000)		(450,000)	
Revenue deferral in				
TOTAL OPERATING REVENUE	\$18,807,516		\$19,500,443	
Expenditures				
Cost of power	9,464,829	51	9,599,451	50
Operations and maintenance	3,411,563	18	3,746,455	19
Administrative and general	2,312,980	12	2,322,814	12
Depreciation and amortization	1,935,660	10	2,029,010	10
Taxes, interest and other deductions	1,576,297	9	1,645,877	9
TOTAL COST OF ELECTRIC SERVICE	\$18,701,329	100	\$19,343,607	100
Operating margins	106,187		156,836	
Non-operating margins	389,785		477,650	
G&T capital credits	488,713		336,865	
Other capital credits	197,854		229,873	
NET MARGINS OR PATRONAGE CAPITAL	\$1,182,539		\$1,201,224	

COMPARATIVE STATISTICS			
	2008	2017	2018
kWh purchased	112,356,967	121,729,630	124,992,058
kWh sold	103,765,240	112,267,613	114,931,217
Number of consumers	11,458	12,207	12,510
Miles of energized line	1,734	1,749	1,762
Consumers/mile of line	6.61	6.98	7.10
Average monthly kWh used per residential consumer, excluding seasonals	640	645	712
Average monthly kWh used per residential consumer, including seasonals	569	587	596



**79TH
ANNUAL
MEETING**

THURSDAY, JUNE 20, 2019
CLIFF LANES
25 MAIN STREET
WESTCLIFFE

9 A.M. REGISTRATION
10 A.M. MEETING CONVENES

Don Kaufman, former SDCEA Board of Directors President, will retire at the June 20 annual meeting. Mr. Kaufman achieved Director Gold credentials from the National Rural Electric Cooperative program.

He served on the Colorado Rural Electric Association, as well as on the Tri-State Generation and Transmission board of directors respectively during his 23-year tenure on the board.

Thank you, Don for your years of service to our cooperative.

