

SANGRE DE CRISTO ELECTRIC ASSOCIATION 2019 ANNUAL REPORT

BY JOSEPH REDETZKE CHAIR OF THE BOARD OF DIRECTORS AND

PAUL A. ERICKSON CHIEF EXECUTIVE OFFICER

Sangre de Cristo Electric Association, Your Community Electric Cooperative, delivered power to 12,754 consumer accounts with 13,377 homes, businesses, farms and ranches in central Colorado in 2019. Reliability of service met extremely high standards, with power “up” to our consumers more than 99% of the time. Nearly 40% of SDCEA’s everyday power supply came from renewable resources. The cooperative restructured our charitable giving programs to provide greater financial support to those most in need in our service territory. And very importantly, while providing reliable, renewable power and helping our region’s communities, SDCEA did not raise rates.

The highlights of these and other SDCEA accomplishments in 2019 follow.

Trout Creek Solar

The year began with the completion of a years-long project, Trout Creek Solar, a 2-MW facility, which came online January 31. The project is the first of its kind, developed by SDCEA in collaboration with the Colorado Department of Corrections (CDOC) and international solar developer juwi Americas, Inc. The land upon which the facility is sited is CDOC’s Buena Vista Correctional Complex.

SDCEA’s community solar program also debuted at the time of Trout Creek’s completion. Consumers who want to buy locally-generated solar energy may sign up for a portion of the output from Trout Creek Solar. The community solar program is made possible by a 25% carve-out of energy produced by the facility for the program. Available by subscription to consumers who want to pay a little extra each month for that energy, community solar may also be attractive to consumers who are not able to or do not want to install solar panels at their home or business.

juwi Americas, which built the facility,

transferred the ownership and operation of Trout Creek Solar to American Electric Power Onsite Partners (AEP) when Trout Creek began production. AEP and SDCEA have a 20-year operational contract, where AEP will supply power to SDCEA at a fixed-amount, providing rate stability to SDCEA’s consumers for the life of the contract.

At the time of its construction, Trout Creek Solar was projected to generate energy equal to approximately 4.7% of SDCEA’s annual energy usage. The Trout Creek Solar project produced 4,910,236 kWh of power in 2019.

Electric Vehicle Charging Stations

Shortly after the completion of Trout Creek Solar, SDCEA installed Level 2 and Level 3 electric vehicle charging units in the South Main neighborhood of Buena Vista through a \$39,000 grant awarded from the state of Colorado. The stations were built and in operation April 24, with some of the most modern technology available to electric vehicle drivers. The grant was awarded as part of the Charge Ahead Colorado program, administered by the Colorado Energy Office to encourage use of electric vehicles to reduce greenhouse gas emissions, promote energy security through reliance on domestic electricity, and drive an innovative market for new technology.

SDCEA also negotiated and executed an agreement with the town of Buena Vista on June 24, which transferred ownership of the town’s two, dual-port Level 2 EV charging stations located downtown and at the river park in 2019 to SDCEA to operate.

Summer and fall months are the busiest times for the cooperative for field work, building new infrastructure and the completion of ongoing projects.

During the busy summer season, SDCEA also marked a “wire-cutting” ceremony for the Trout Creek Solar facility at the Buena Vista Correctional Complex on July 12.



JOSEPH
REDETZKE
BOARD CHAIR



PAUL A.
ERICKSON
CEO

Keynote addresses during the ceremonial opening were made by representatives from SDCEA, CDOC, juwi Americas, AEP, the Chaffee County commissioners, and the town of Buena Vista.

Completed projects by the operations department over the summer and into the fall of 2019 include several projects of benefit to consumers:

- Cable replacement in Cristo Vista and Glen Vista subdivisions near Westcliffe. The replacement project is in place to improve service and reliability in both subdivisions.
- Operations also installed underground primary electric infrastructure throughout the Centerville Ranch subdivision, a new development along U.S. 285 in Chaffee County. The project included 20,000 feet of wire buried for the project.
- New 3-phase overhead line was installed from the Buena Vista Correctional Facility to Nathrop — approximately 6.5 miles of line. The project will increase reliability to those served south of Buena Vista.

Prepay Accounts

Prepay, the ability for consumers to pay-as-they-go, became activated as a rate option in October.

The Prepay program was introduced for those who want to sign up for new service or convert their existing service to the program. Prepay is set up like a prepaid credit card. Consumers “load” their account with funds. As electricity is used, those funds are drawn down. The service allows consumers to track how much energy they use each day

and whether they need to add funds to their account — all online.

SDCEA has a growing number of “transient” seasonal consumers who work construction, hospitality, and recreation-based jobs. And some folks just find it difficult to come up with \$250 to put down as a deposit on their electric service. The Prepay rate option does not require a deposit.

Year-End Summaries

Rates

SDCEA did not raise rates to consumers in 2019, the second year without a general rate increase. Your cooperative continually studies use patterns, the cost of power and corresponding rate structures, striving to align use with rates that are equitable to all consumers.

Committed to keeping costs down, SDCEA uses new technologies such as online service requests and the review of in-office procedures to provide consumer service as transparently and efficiently as possible. SDCEA added 335 services in 2019, compared to 275 services added in 2018. Consumers used 120,789,562 kWh (sold) by SDCEA in 2019.

Capital Credits

As an electric cooperative, SDCEA belongs to you, our consumers. Any profits generated here get allocated back and may be refunded to you over time. In December 2019, SDCEA posted bill credits to 3,850 accounts, which were reflected on November bills. The cooperative mailed 6,648 capital credit checks to those no longer on our lines for a total refund of \$689,540 to consumers who received service in 1995, 1996, 2000 and 2001.

Consumer-Owned Solar Installations

The number of net meter accounts (consumer-owned solar installations) on SDCEA's system continued to increase in 2019. At the end of the year, 393 consumers had net meter accounts, up from 317 in 2018 and 263 in 2017.

Work continued to streamline the entire application to meter-set processes throughout last year, decreasing consumer and SDCEA's costs to administer the program.

2019 AND BEYOND

Care for the Community

Charitable giving programs at SDCEA underwent an extensive review and restructuring to better benefit service organizations in our service territory in 2019. We could not have anticipated, nor could we be more grateful, that these programs are in place in the first half of 2020 to respond to local needs resulting from the COVID-19 crisis. As a result of the reorganization, SDCEA will offer a community grant program and a matching grant program in 2020. SDCEA also renamed and redirected funds from the Operation RoundUp program, now designated as the Power of Change program, to maximize consumer and SDCEA giving opportunities in local communities.

Further, banking partner CoBank matching SDCEA's charitable giving in early 2020 with an additional \$2,500, which was donated directly to the Chaffee County Community Foundation Emergency Response Fund by the SDCEA Board of Directors.

Matching grant program

A matching grant program, where members may request up to a \$200 match per membership for their donation to local charities for a total of up to \$1,000 in aggregate for a qualifying organization annually, was launched in July 2019. The initial funding for the program was exhausted by member requests in December. The program was renewed for 2020 and is now taking applications for continued consumer-directed giving.

Operation RoundUp

(now the “Power of Change” program)

Funds from consumers who elect to round their electric bills up to the next dollar each month are collected and pooled with funds from other consumers who also signed up for Operation RoundUp. In 2019, the program was a stand-alone grant-making entity. In 2020, now renamed the Power of Change program, those funds are added to money allocated by SDCEA for the Community Grant Program.

Community Grant Program

In 2019, SDCEA conducted an extensive review and redevelopment of the cooperative's corporate giving and the former Operation RoundUp program's procedures. Now, needed funds between the two sources will be pooled and provided to organizations in our communities through the SDCEA Community Grant Program. Funding for community grants through the program will be administered by the Chaffee County Community Foundation for use throughout our service territory.

2019 Charitable Giving summary

- \$12,000 in corporate charitable donations in 2019.
- \$7,500 was awarded in SDCEA matching grants.
- Operation RoundUp awarded \$17,023 to applicants in 2019.
- \$35,000 in local student scholarship donations was awarded in 2019. Also awarded was a \$1,000 college scholarship by generation and transmission partner Basin Electric and \$1,000 in Tri-State scholarships. One student successfully applied for an additional \$1,000 Basin scholarship.
- SDCEA successfully matched three Operation RoundUp donations through CoBank's Sharing Success program for a total of \$3,750.
- Five area students attended the 2019 Washington D.C. Youth Tour in June.
- \$6,098.40 total was paid to youth 4H livestock auctions in Chaffee and Custer counties.

Technology

Cybersecurity training is a critical aspect of SDCEA's daily operation and SDCEA is committed to ongoing education in that field. The cooperative is committed to maintaining updated software, servers and other aspects of conducting business without interruption.

Improved substation communications for improved performance and reliability of service has also been emphasized at SDCEA. To better accommodate tracking of

outages and other field information, SDCEA invested in several software improvements and the training of staff in use of that software, which improved outage management throughout 2019.

Board Education

SDCEA board members continued to pursue educational courses through the National Rural Electric Cooperative Association (NRECA). Successful completion of these courses allows board members to gain expertise in the operations of an electric utility. In 2019, directors Charles A. Abel, II, Dan C. Daly and Joseph Redetzke all earned Director Gold Credentials, the highest level of achievement in NRECA's board director certificate programs.

Director Geoffrey Gerk received Board Leadership certification and Director David A. Volpe received Credentialed Cooperative Director certification.

The 79th annual meeting was held June 20, 2019, in Westcliffe. Director Geoffrey Gerk and Director Tommy Flower were elected to the board by voice vote. Director Gerk retained his seat on the board, representing Fremont County. Director Flower was elected to the board, representing Custer County after Director Donald Kaufman chose not to run for another term.

The Future of Renewable Energy

SDCEA's wholesale power provider is Tri-State Generation and Transmission. The power purchased from Tri-State is delivered through lines and equipment that SDCEA builds and maintains. SDCEA has a long-term electric power contract with Tri-State, which obligates Tri-State to meet all of SDCEA's power needs and requires SDCEA to purchase a minimum of 95% of our power exclusively from them. This contract makes SDCEA a member-owner of Tri-State and allows us to supply 5% of our power from locally-generated, renewable resources.

As an owner of Tri-State, SDCEA directly benefits from more than 475 MW of utility-scale wind, solar and other

renewable-resource projects currently online. That means more than 30% of the power SDCEA receives from Tri-State is from renewable resources.

Approximately 10% of SDCEA's power supply is sourced from locally-produced, renewable resources, including the Trout

Creek Solar project. Tri-State is currently developing additional solar and wind-powered projects. Once those projects come online, projected to be by 2024, about half of SDCEA's everyday power supply will be from renewable resources. We encourage

79th ANNUAL MEETING CONDENSED MINUTES

June 20, 2019 | WESTCLIFFE, COLORADO

The 79th Annual Meeting of the members of Sangre de Cristo Electric Association, Inc. (SDCEA) was called to order by President Joseph Redetzke at 10:00 a.m. on Thursday, June 20, 2019, at Cliff Lanes, Westcliffe, Colorado.

Invocation – Redetzke introduced SDCEA CFO Donnie Schell to give the invocation.

Pledge of Allegiance – Redetzke led the Pledge of Allegiance.

National Anthem – Redetzke introduced Paul A. Erickson to lead the membership in the singing of the National Anthem.

Quorum requirements – SDCEA Attorney Jack P. Wolfe reported quorum requirements are 50 members registered in person. 58 members were registered. Wolfe declared a quorum present.

Close registration – Wolfe closed registration at 10:07 a.m.

Annual meeting notice, certificate of mailing – Wolfe presented the annual meeting notice and certificate of mailing. Wolfe reported the meeting notice was mailed to all members of record addressed according to information on file, as of the date of record of April 22, 2019. He presented the 2018 annual report and noted it was distributed in the June issue of the *Colorado Country Life* magazine.

Introduce director nominee – Wolfe introduced director nominees.

Uncontested:

Fremont County – Geoffrey Gerk (incumbent)

Custer County – Tommy G. Flower (candidate)

Election of directors – Wolfe reported that Fremont County director Geoffrey Gerk, and Custer County candidate Tommy G. Flower are running unopposed, and may be elected by voice vote. Motion carried to elect Gerk and Flower to three-year terms by voice vote.

Minutes of the 78th annual meeting – Wolfe entertained a motion to dispense with the reading of the minutes of the 78th annual meeting held June 20, 2018 and approve them as written. Motion was made and carried.

Introduce directors – Redetzke introduced directors present.

Recognition – Redetzke recognized Kaufman and Wolfe who are both attending their last SDCEA annual meeting as director and attorney for SDCEA.

Introduce Guests – Erickson introduced guests: former directors Phil DeLuca, Arlie Riggs, and Howard Eggleston; former employee Kenneth Goertz; Tri-State Generation & Transmission Senior Vice President of Organizational Services and Chief Technology Officer Ellen Connor, and Relationship Manager Mike Frailey; CREA Executive Director Kent Singer. Consumer Janice Yalch was presented flowers in recognition of her recent citizen of the year as well as her regular attendance at SDCEA Annual Meetings over the years.

President's report – Redetzke discussed the growth experienced by SDCEA during 2018, now serving over 13,000 meters which is an increase of 275 new services. He discussed the importance of electricity in our daily lives and how essential it is to provide health care, running businesses, operating schools and more. The innovative efforts of SDCEA to deploy the 2-megawatt utility scale Trout Creek Solar project. Redetzke mentioned the impact SDCEA has on the youth in our service territory by awarding approximately \$39,000 in scholarships and sending five high school students to Washington, D.C., with the Colorado Rural Electric Association's (CREA) Youth Tour.

CEO's report – Erickson spoke about SDCEA's commitment to clean energy. A few of the efforts undertaken by SDCEA are the electric vehicle charging stations installed in Buena Vista that SDCEA received a \$39,000 grant to install. He spoke about more than 317 privately-owned roof-top solar, wind and hydro net meters in operation in 2018 and that SDCEA expects to add approximately 60 more in 2019. Erickson also discussed future efforts to allow consumers to purchase additional power from SDCEA's Trout Creek Solar project. He talked about a new "prepay" program that will be available to consumers which will help those consumers not able to pay a deposit, to start electric service. Erickson introduced the new logo for SDCEA to the consumers present.

Treasurer's report – Abel presented the treasurer's report and addressed the 2018 financial data as shown in the annual report.

Guest speakers – Erickson introduced Ellen Connor, Senior Vice President of Organizational Services and Chief Technology Officer and Kent Singer, Executive Director of the Colorado Rural Electric Association.

Power supply report – Ellen Connor spoke about how cooperatives differ from investor-owned utilities. Connor also discussed membership/ownership of Tri-State.

Colorado Rural Electric Association report – Kent Singer discussed legislative issues important to electric cooperative consumers.

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

Questions – Redetzke and Erickson addressed comments and questions from consumers about renewable energy battery storage, plans for expanding service in the Wet Mountain area to improve reliability and remove dependence on Black Hills Electric. Problems with renewable energy and electric vehicle mandates were raised by a consumer. True-up for net metered account consumers was discussed.

Door prize drawing – Drawings were held for one \$100 bill credit, two \$50 bill credits, four \$25 bill credits, and one television provided by Tri-State.

Meeting adjourned at 11:30 a.m.

Respectfully submitted,
Suzanne Kelly, Secretary

Attest:
Joseph Redetzke, Chair

you to review Tri-State's plans at tristategt.org/responsibleenergyplan.

We Remain Here For You

While compiling this annual report, as the world experiences the COVID-19 pandemic, SDCEA's staff is working hard to meet our consumers' electricity needs in this difficult time by continuing to power the homes, medical facilities and businesses in central Colorado that pillar our lives. We

hope it provides a measure of comfort to our consumers to know that the supply of electricity in our region remains available, reliable and safe.

We also pledge to continue to provide for the future energy demands of our area as we adapt to the pandemic's impacts. We remain here for you and will continue to provide outstanding, local consumer care.

Please visit our website, myelectric.coop.

coop for news and other updates from the cooperative, to pay bills, start or transfer service, submit rebates, email us your questions and much more. If you prefer to call us, we have a toll-free number, 844-395-2412. Or, you may use our local number, 719-395-2412, or email us at info@myelectric.coop.

2019 FINANCIALS

COMPARATIVE BALANCE SHEET

Assets	12/31/2018	12/31/2019
Total utility plant	\$65,438,291	\$67,427,025
Accumulated provision for depreciation	(20,518,917)	(22,009,625)
Net utility plant	44,919,374	45,417,450
Total other property and investments	11,075,033	11,157,996
Cash-general funds	707,820	210,090
Cash-special construction funds	1	1
Investments	992,800	842,800
Accounts receivable	2,115,970	2,172,721
Material and supplies	798,411	896,416
Prepayments	14,663	10,720
Other current and accrued assets	59,060	141,551
Deferred debits	902,455	681,690
TOTAL ASSETS AND OTHER DEBITS	\$61,585,587	\$61,531,435
Liabilities		
Equities	\$3,495,318	\$4,255,939
Patronage capital	18,725,590	18,577,001
Long-term debt	33,065,484	31,910,316
Notes and accounts payable	1,377,159	1,408,126
Consumer deposits	358,625	417,065
Current maturities-long term debt	1,987,550	1,900,550
Other current and accrued liabilities	874,791	924,266
Regulatory Liabilities	900,000	1,350,000
Deferred credits	801,070	788,172
TOTAL LIABILITIES AND OTHER CREDITS	\$61,585,587	\$61,531,435

OPERATING REVENUE AND EXPENDITURES

Operating revenue	2018	%	2019	%
Residential	\$14,389,516	72	\$15,077,260	72
Irrigation	113,166	1	126,889	1
Small commercial	4,471,654	22	4,645,468	22
Large commercial	723,147	4	725,794	4
Street lighting	84,490	0	92,378	0
Other electric revenue	168,470	1	156,682	1
SUB-TOTAL	19,950,443	100	20,824,471	100
Revenue deferral out	(450,000)		(450,000)	
Revenue deferral in				
TOTAL OPERATING REVENUE	\$19,500,443		\$20,374,471	
Expenditures				
Cost of power	9,599,451	50	10,173,741	51
Operations and maintenance	3,746,455	19	3,933,824	19
Administrative and general	2,322,814	12	2,486,330	12
Depreciation and amortization	2,029,010	10	1,922,151	10
Taxes, interest and other deductions	1,645,877	9	1,626,372	8
TOTAL COST OF ELECTRIC SERVICE	\$19,343,607	100	\$20,142,418	100
Operating margins	156,836		232,053	
Non-operating margins	477,650		526,404	
G&T capital credits	336,865		375,900	
Other capital credits	229,873		199,001	
NET MARGINS OR PATRONAGE CAPITAL	\$1,201,224		\$1,333,358	

COMPARATIVE STATISTICS

	2009	2018	2019
kWh purchased	112,112,844	124,992,058	131,512,620
kWh sold	103,645,103	114,931,217	120,789,562
Number of consumers	11,505	12,510	12,754
Miles of energized line	1,694	1,762	1,774
Consumers/mile of line	6.79	7.10	7.19
Average monthly kWh used per residential consumer, excluding seasonals	636	712	727
Average monthly kWh used per residential consumer, including seasonals	566	596	615

2019 Board of directors

Back row, left to right: David A. Volpe, Dan C. Daly, Joseph Redetzke, Geoffrey Gerk, Charles A. Abel II; front row, left to right: Tommy Flower, and Suzanne (Suzy) Kelly.

