



SANGRE DE CRISTO ELECTRIC ASSOCIATION 2021 ANNUAL REPORT

BY JOSEPH REDETZKE CHAIR OF THE BOARD OF DIRECTORS AND
PAUL ERICKSON CHIEF EXECUTIVE OFFICER



**JOSEPH
REDETZKE**
BOARD CHAIR



**PAUL
ERICKSON**
CHIEF EXECUTIVE
OFFICER

SDCEA was formed by a coalition of community members around a common cause in central Colorado 82 years ago — to work together, cooperatively, to share costs equitably and provide the promise of reliable, safe, and affordable electricity to this region. Those community members became members of SDCEA, as you have today, by paying the cooperative to receive electric service.

True today to the original coalition's plan, SDCEA is a locally based non-profit cooperative, with a mission to continue to provide reliable, safe, and affordable electric service, not to generate money for far-away, disinterested shareholders. We aim to share costs and equitably represent our members' interests now and into the future.

As a member of SDCEA, you are considered a part-owner of the cooperative and, as such, can participate in a democratic process that allows SDCEA members to vote in annual cooperative board elections, electing candidates nominated from among the members to represent member interests. This form of self-governance of the electric utility requires the board of directors and staff at SDCEA to balance the representation of diverse member interests, as well as ensure power supply and meet the demands of a modern electric grid.

If you were a customer of an investor-owned utility, you would get electricity in exchange for regular payment, but you likely would have little say in the decision-making of the company.

SDCEA, as a non-profit electric cooperative, is guided by seven operating principles in conducting operations.

SEVEN COOPERATIVE PRINCIPLES

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training, and Information
- Cooperation Among Cooperatives
- Concern for Community

The advantages of electric cooperatives include:

- Upon joining an electrical cooperative, you are considered a member and part-owner.
- Cooperatives are community-focused and work to improve the sustainability and well-being of local and surrounding communities.
- Cooperatives follow democratic processes and allow each of our members to vote in board member elections. Board members represent the membership and the membership's ideas and priorities for the cooperative.
- Electric cooperatives are service-focused. We are locally based and dedicated to providing electricity to rural areas, while commercial utility companies are hesitant to provide service in rural areas because they can make more profit from urban areas and businesses.
- Electric cooperatives return excess margins to cooperative members in the form of capital credits.

2021 COOPERATIVE ACTIVITY

Despite uncertainty related to the worldwide pandemic, SDCEA's employees provided uninterrupted service to consumers in 2021, using a hybrid (half remote, half in-office) work schedule for several months at the mid-year mark, returning to a remote schedule again toward the end of the year. In the past year, SDCEA added 364 new consumer services, compared to 269 in 2020. During this period of growth and in a hybrid work setting, field and office employees continued work on future essential cooperative projects.

COST OF SERVICE STUDY

Power System Engineering (PSE), a leading national rate consultant, with assistance from SDCEA staff, completed a comprehensive cost-of-service (COS) study and rate review which evaluated all current rates, as well as explored new rates that allow for better integration of distributed energy resources (DERS) and new technologies for beneficial electrification such as electric vehicles, batteries and cold-climate heat pumps.

PSE presented the results of the COS study and rate review and made recommendations for rate design changes, a revenue-neutral plan, to the

SDCEA board on September 22–23, 2021. At their October meeting, the board approved a rate redesign (unbundled energy charge) for the General Service Residential and Non-residential consumer classes, adjusted tariffs within all rate schedules (except street and security lighting) and approved an opt-in Large Power Energy plus Demand Time of Day (TOD) rate; a lifestyle Time of Day (TOD) rate; and a system-wide Heating Season Declining Block rate.

The large power TOD rate went into effect on November 1, 2021. The board made the other rate design changes effective February 1, 2022. After public comment, the SDCEA Board of Directors first delayed implementation, then voted at the February 2022 board meeting to rescind the previously approved rate redesign.

REGIONAL HAZARD REDUCTION

SDCEA is working with local emergency managers in prioritizing efforts to reduce regional vulnerabilities to hazards and disasters. The cooperative has participated in the development of county emergency management plans and is a member of the Envision Forest Health Council. The cooperative has also encouraged the use of SDCEA vegetation management programs to leverage grant eligibility for emergency services and by organizations such as the National Forest Foundation for their work in improving forest health in the region.

WILDFIRE MITIGATION

Several of the most destructive wildfires in Colorado history have burned in recent years, the effects of which continue to be felt statewide. Locally, the Decker and Hayden Creek fires caused great impact while burning and have continued to impact the daily lives of those who live near those burn scars. Unfortunately, our region remains at further risk for an even larger, more severe wildfire.

Despite spending hundreds of thousands of dollars annually for years on vegetation management, SDCEA estimated that at funding levels through the budget, it would take SDCEA more than 20 years to

effectively clear regional electric lines of potentially hazardous vegetation. The SDCEA board, faced with this reality, took an unprecedented step to fund an accelerated effort to expand SDCEA's wildfire mitigation plan, assessing a \$6 per month per account wildfire mitigation rate rider. Spending on wildfire mitigation totaled \$1.25 million in 2021 with \$1 million spent directly on clearing rights-of-way. The remaining \$250,000 was used to fund wildfire mitigation drone survey data collection. Crews will be working to clear trees and overgrown vegetation along company rights-of-way through SDCEA's five-county service territory in the next several years.

The rate rider will be used for a limited time and for the specific and necessary purpose of accelerated funding of vegetation removal to mitigate the threat of wildfires on our system. Funding raised through this rider will be used only for wildfire mitigation. The wildfire mitigation rider increases by \$1 each year, up to a \$10 per month per account maximum. It will be reviewed periodically for effectiveness by the SDCEA board. The monthly charge will "sunset," (be removed) from SDCEA bills, when funding from the wildfire mitigation rider is deemed no longer necessary.

DRONE PROGRAM

SDCEA partnered with the National Rural Electric Cooperative Association in 2021 to conduct an inventory of the 850 miles of overhead power service lines on SDCEA's system using drone technology. Progress on this project has garnered national attention, as cooperatives nationwide are learning through SDCEA's experiences how this technology can be used in managing cooperative operations.

SDCEA is applying drone technology to an expanding list of operational applications. The speed, efficiency, and quality of top-down and close-up imagery collected by the drone has been used to identify the critical areas on SDCEA's line in need of immediate vegetation management for wildfire mitigation.

Drone imagery also provides SDCEA infrastructure information — a detailed inventory of equipment in the field. Findings include things as small as a missing bolt on a piece of equipment to the condition of spans, thermal information about transformers and more. This information can reduce outage downtimes, as SDCEA operations use the findings to improve system delivery to consumers. SDCEA has also used drone information for engineers to inspect newly constructed line to make sure it is in the field as designed, to survey right-of-way conditions and aid in compliance inspections. Drones increase safety to line crews, who spend less time on poles surveying the electric system. Drones can also be sent to capture

images in areas that line crews previously had to hike to or climb to for access.

RESIDENTIAL DEVELOPMENTS OF THE FUTURE

All electric new homes are an important component in reducing future carbon emissions. Electric homes are better for the climate, creating 25%-45% less greenhouse gas emissions than homes burning fossil fuels such as natural gas, propane or wood. Since 2018, SDCEA has worked with eight developers of residential and mixed-use projects in the town of Buena Vista, who have agreed to make the developments "all-electric," relying on electric space and water heating. When built out, there will be more than 470 residential units in these developments, largely relying on cover radiant heating or cold-climate air-source heat pump systems. Buildout for these developments is expected in 2023–2025, which is later than original expectations due to building supply chain delays, labor shortages and increased costs.

RENEWABLE ENERGY & ENERGY EFFICIENCY

SDCEA continues to have one of the highest percentages of home and business solar installation rates in the state. In 2021, there were 535 solar installations on our system, compared with 450 in 2020, 393 in 2019 and 317 in 2018.

As a member-owner of Tri-State Generation & Transmission, our wholesale power supplier, SDCEA directly benefits from Tri-State's growing portfolio of utility-scale wind, solar and other renewable projects. Tri-State plans to bring 1,000 MW of utility-scale wind and solar projects online by 2024, supplying 70% clean energy to members system-wide by 2030.

In 2021, Tri-State:

- Completed two new wind projects, totaling 304 MW of the over 1,000 MW of renewable projects scheduled for completion by 2024.
- Supplied 34% of the energy members used this year from clean sources, working toward their goal of 50% by 2024.
- Combined, Tri-State's clean energy sources with SDCEA's Trout Creek Solar and members' rooftop solar generation to provide SDCEA customers with more than 41% of your energy from renewable and local sources in 2021.
- Filed a Revised Preferred Plan to its Colorado Energy Resource Plan, identifying a significant investment in over 2,000 MW of renewables and battery storage to increase Tri-State's clean energy portfolio to roughly 4,000 MW by 2030.

SDCEA, in partnership with Tri-State, returned

\$13,264 in rebates to our consumers to encourage energy efficiency upgrades.

The 2 MW Trout Creek Solar facility, located on Colorado Department of Corrections property, produced more than 13,900 MWh of renewable energy since going online in 2019. This is about 13.5% below projections due to mechanical downtimes.

The facility was offline from the first week of September through the end of 2021 due to a failed inverter and unavailability of parts for repair.

The Trout Creek Community Solar program is available by subscription to consumers who opt to pay a little extra each month for that energy to offset their carbon footprint. Community solar may also be attractive to consumers who cannot or do not want to install solar panels at their home or business.

SDCEA's Green Energy program provides members with the opportunity to purchase 100 kWh blocks of renewable electricity to offset your electricity usage without an expensive investment in equipment and installation.

The current cost of each block is 40 cents. For an average consumer, this cost amounts to a few dollars per month extra and will show up on your regular bill as a Renewable Energy charge. For an extra 40 cents per month for each block, you may purchase renewable energy to offset a portion of, or the entire amount of, electricity in your home or business. There is no limit on the number of blocks you may purchase. For example, if your average monthly usage shows you draw about 700 kWh of power, for an additional \$2.80 a month, your home would be powered by 100% renewable sources. You must commit to the program for a minimum of one year. You will be billed for the number of blocks you commit to regardless of your actual kWh consumption. Green Energy block prices are market-based and are subject to change.

OPERATIONS & MAINTENANCE

SDCEA deployed several contractors to work on projects important to ongoing infrastructure improvements, including the completion of rebuilding the main feeder line from Buena Vista to Twin Lakes to improve service and redundancy to consumers serviced by the two substations. The project encompasses approximately 18.5 miles.

The energy delivery system was rebuilt at the Chateau Chaparral subdivision near Nathrop. The project consisted of six phases, and retirement of obsolete Chateau Chaparral equipment is set to begin this summer. More than 310 services will be added to SDCEA's system after completion of this project, which will provide more reliable, safe power to residents in the area.

SDCEA was able to install equipment on the taps off the west and south feeders from Buena Vista Substation and all feeders of the Ray Lewis Substation to protect three-phase lines between the two substations. This will increase reliability to consumers, and mitigate dropping power to homes and businesses fed from our main line.

A portion of the three-phase and all of the single-phase going to St. Elmo in conjunction with Colorado Central Telecom was rebuilt, for a total of 12.5 miles, again improving service to consumers in the area as well as providing CCT with the infrastructure necessary to provide high-speed internet fiber to the community.

In West Creek, 1.5 miles of line was rerouted, upgraded and rebuilt from along the creek to along the road right-of-way. The project saved substantial fire mitigation costs in the area and shortened several spans between poles, which is expected to decrease line outages in the future. The relocation will improve access to the line by SDCEA crews for ongoing maintenance and any needed repairs.

COMMUNITY SUPPORT, OUTREACH AND ENGAGEMENT

The SDCEA Board of Directors approved \$111,400 for charitable giving in 2021. Several programs were funded by this allocation, sending local financial aid to serve the members and organizations of our five-county service territory.

SDCEA awarded \$35,000 in total scholarships, including one four-year scholarship for \$2,000 per year and 13 \$2,000 one-time scholarships. Two matching awards for Tri-State scholarships, \$500 each, were awarded to area students seeking educational opportunities beyond high school.

Funded by the SDCEA Community Grant Program, The Chaffee County Community Foundation (CCCF) in 2021 awarded \$32,350 in charitable grants at the end of the summer to 16 organizations serving Chaffee, Lake, Fremont and Custer counties.

The SDCEA Matching Grant program, where members and employees of SDCEA may submit a request to have a donation match made to local non-profit organizations up to \$200 per member and \$1,000 in total for the organization, supported 32 organizations for a total of \$11,504.02 awarded in 2021, compared to \$9,531.02 awarded to 26 organizations in 2020.

ADDITIONAL HIGHLIGHTS:

- In 2021, the participation in the Power of Change bill round-up program for charitable causes increased by 111 consumers, or 6.3%.
- One of our major lenders, CoBank, provided SDCEA charitable giving programs a \$10,000 match in 2021.
- Corporate and CEO charitable donations totaled \$6,162 in 2021.

FINANCIAL & STATISTICAL

Unprecedented Bill Credit

Due in part to unseasonably cold winter weather in 2021, SDCEA sold 125,737,690 kWh to consumers, compared to 121,794,736 kWh in 2020. The higher-than-anticipated sales, along with a small reduction in SDCEA's wholesale power cost, led to healthier margins for the year than were anticipated. The unique occurrence prompted the SDCEA Board of Directors

81ST ANNUAL MEETING CONDENSED MINUTES

June 9, 2021 | NATHROP, COLORADO

The 81st Annual Meeting of the members of Sangre de Cristo Electric Association, Inc. (SDCEA) was called to order by Chair Joseph Redetzke at 10:00 a.m. on Wednesday, June 9, 2021, at Mt. Princeton Hot Springs Resort, Nathrop, Colorado.

Invocation – Redetzke introduced SDCEA Lead Lineman Matt Shepherd to give the invocation.

Pledge of Allegiance – Redetzke led the Pledge of Allegiance.

National Anthem – Redetzke introduced SDCEA Scholarship recipient, Hannah Volpe to sing the National Anthem.

Quorum requirements – SDCEA Attorney Casey Martin reported quorum requirements are 50 members registered in person. 65 members were registered. Martin declared a quorum present.

Close registration – Martin closed registration at 10:08 a.m.

Annual meeting notice, certificate of mailing – Martin presented the annual meeting notice and certificate of mailing. Martin reported the meeting notice was mailed on May 10, 2021, to all members of record addressed according to information on file, as of the date of record of April 12, 2021. He presented the 2020 annual report and noted it was distributed in the June issue of the *Colorado Country Life* magazine.

Introduce director nominees – Martin introduced director nominees.

Uncontested:

Rural Chaffee/Lake County – Charles A. Abel II (incumbent)

At-Large – Dan C. Daly (incumbent)

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

Minutes of the 79th annual meeting – Martin entertained a motion to dispense with the reading of the minutes of the 79th annual meeting held June 20, 2019 and approve them as written. Motion was made and carried.

Introduce directors – Redetzke introduced directors present.

Introduce guests – SDCEA Chief Executive Officer Paul Erickson introduced guests: former directors; Phil DeLuca and Don Kaufman; Ruth Eggleston, widow of former director, Howard Eggleston; Tri-State Generation & Transmission (TSGT) CEO Duane Highley, TSGT Vice President Member Relations Catherine Crowfoot and TSGT Relationship Manager Peter Rusin; CREA and Mountain Parks Electric Board President Jeff Hauck.

Board Chair and Chief Executive Officer report – Redetzke discussed the impact of the COVID-19 pandemic during the previous 15 months and SDCEA's ability

to continue to provide reliable, safe, and sustainable electricity. SDCEA donated more than \$102,000 to charitable organizations in its territory. Redetzke spoke about the purpose of the Wildfire Mitigation Rate Rider, the results of the 2020 contested director election, and current director education achievements completed. Redetzke also discussed SDCEA's commitment on keeping costs down and the efforts to maintain current rates by contracting a third-party rate consultant.

Erickson spoke about SDCEA's decision to close the office during the pandemic and continued to provide uninterrupted consumer service, scheduled maintenance, outage calls, and new installations to homes and businesses. SDCEA consumers benefit from utility-scale wind, solar, and other renewable projects provided by TSGT, which is 33% of the energy consumed by SDCEA members. TSGT is developing an additional 100 MW of solar and 104 MW of wind-powered projects, which will increase its renewable resources to 45%. SDCEA implemented an aggressive construction work plan in 2020, despite the pandemic.

Treasurer's report – Gerk presented the Treasurer's report and addressed the 2020 financial data as shown in the annual report.

Power supply report – Erickson introduced Duane Highly CEO of Tri-State Generation & Transmission. Highly reported on TSGT's efforts to expand flexible power sources using energy produced by clean energy resources, the necessity to use a variety of energy sources, and lowering wholesale electric rates.

Colorado Rural Electric Association report – As secretary of the CREA board, Redetzke discussed legislative issues important to electric cooperative consumers.

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

Questions – Erickson addressed comments and questions from consumers about the potential benefits of retrofitting home heating systems from propane/gas to electric, SDCEA's efforts to identify and combat cybersecurity threats, battery systems to store renewable energy, community room usage, the Wildfire Mitigation Rate Rider, and consumers thanking the linemen who keep the lights on during adverse weather and in difficult terrain.

Door prize drawing – Drawings were held for one \$100 bill credit, two \$50 bill credits, and four \$25 bill credits.

Electric Mower Raffle – Sarah Crites won the raffle for the electric lawn mower, proceeds of which will go to the Shine Your Light charitable program.

Meeting adjourned at 11:30 a.m.

Respectfully submitted,
Charles A. Abel, II, Secretary

Attest:
Joseph Redetzke, Chair

to approve a refund of \$400,000 to consumers in 2021, across active accounts, in the form of bill credits on November bills for active accounts.

Capital Credits

SDCEA is a non-profit electric cooperative. At the end of each year, our financial statements show whether revenue exceeded costs and resulted in a positive margin. Margins are used by SDCEA for operating capital and, over time, may be paid back to our members in the form of capital credit refunds when the financial position of the cooperative permits and policy provisions are met.

In December 2021, SDCEA refunded capital credits to members who received service in 1996, 1997, 2003, and 2004. SDCEA credited bills on 3,963 accounts and sent 7,235 checks for a total refund of \$730,691.

The 2021 comparative balance sheet, operating revenue and expenditures, and comparative statistics report are featured below.

WE INVITE YOU to join us for the Annual Meeting June 9 at the Barn at Howard Creek in Howard. Registration begins at 9 a.m. and the meeting at 10 a.m. Annual board election results will be reported and

members will hear firsthand from SDCEA leaders about the past year, as well as goals and plans for the future.

Please park at the Howard Volunteer Fire Department parking lot for the meeting, 8274 US-50, Howard, CO 81233. A shuttle to the event site will be available.

The Annual Meeting is not only an opportunity to visit with fellow members of SDCEA, but a great chance to get to know your board of directors and many of the employees who work at SDCEA. We look forward to seeing you there.

2021 FINANCIALS

COMPARATIVE BALANCE SHEET		
Assets	12/31/2020	12/31/2021
Total utility plant	\$69,789,793	\$74,883,881
Accumulated provision for depreciation	(23,630,410)	(24,880,010)
Net utility plant	46,159,383	50,003,871
Total other property and investments	11,052,251	11,948,108
Cash-general funds	2,204,639	1,699,104
Cash-special construction funds	1	1
Investments	342,800	342,800
Accounts receivable	2,487,361	2,161,972
Material and supplies	1,153,602	1,706,128
Prepayments	19,204	16,146
Other current and accrued assets	207,719	4,334
Deferred debits	569,942	1,479,011
TOTAL ASSETS AND OTHER DEBITS	\$64,196,902	\$69,361,475
Liabilities		
Equities	\$4,865,264	\$5,280,010
Patronage capital	18,158,990	18,552,769
Long-term debt	34,182,060	37,816,251
Notes and accounts payable	1,688,570	1,631,905
Consumer deposits	462,456	570,251
Current maturities-long term debt	1,653,000	1,918,000
Other current and accrued liabilities	1,026,481	1,032,237
Regulatory Liabilities	1,350,000	1,584,014
Deferred credits	810,081	976,038
TOTAL LIABILITIES AND OTHER CREDITS	\$64,196,902	\$69,361,475

OPERATING REVENUE AND EXPENDITURES				
Operating revenue	2020	%	2021	%
Residential	\$15,530,758	74	\$15,822,480	74
Irrigation	130,683	1	116,171	.5
Small commercial	4,418,817	21	4,816,265	23
Large commercial	705,179	3	680,029	3
Street lighting	93,751	.5	96,339	.5
Other electric revenue	87,007	.5	(264,447)	(1)
SUB-TOTAL	20,966,195	100	21,266,837	100
Revenue deferral out				
Revenue deferral in				
TOTAL OPERATING REVENUE	\$20,966,195		\$21,266,837	
Expenditures				
Cost of power	10,308,153	49	10,325,904	51
Operations and maintenance	4,615,171	22	4,283,507	21
Administrative and general	2,503,032	12	2,431,216	12
Depreciation and amortization	1,922,061	9	2,013,198	10
Taxes, interest and other deductions	1,572,049	8	1,308,473	6
TOTAL COST OF ELECTRIC SERVICE	\$20,920,466	100	\$20,362,298	100
Operating margins	45,729		904,539	
Non-operating margins	426,736		148,930	
G&T capital credits	222,055		239,390	
Other capital credits	263,369		298,096	
NET MARGINS OR PATRONAGE CAPITAL	\$957,889		\$1,590,955	

COMPARATIVE STATISTICS			
	2011	2020	2021
kWh purchased	117,249,043	133,206,431	137,258,119
kWh sold	107,083,870	121,794,736	125,737,690
Number of consumers	11,659	13,100	13,539
Miles of energized line	1,707	1,787	1,799
Consumers/mile of line	6.83	7.33	7.53
Average monthly kWh used per residential consumer, excluding seasonals	650	725	716
Average monthly kWh used per residential consumer, including seasonals	580	619	614



2021 Board of directors

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