

EMPIRE ELECTRIC ASSOCIATION

Echoes of the Empire

JUNE 2023

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Monthly Calendar

June 9 – EEA's board meeting begins at 8:30 a.m. at its headquarters in Cortez. The agenda is posted 10 days in advance of the meeting at eea.coop. Members may attend in person or remotely. Instructions to attend remotely are included on the agenda.

June 15 – Annual Meeting and Continuing Education Scholarship applications due

June 18 – Father's Day

2022 ANNUAL REPORT

FROM PRESIDENT DAVID SITTON AND GENERAL MANAGER JOSH DELLINGER

SAFETY

Safety remains Empire Electric Association's top priority. We are pleased to report that there were no lost time accidents at EEA in 2022. We have now gone more than five years without a lost time accident, which is a new record for EEA. We are proud of our safety record, but we are not satisfied with past accomplishments because every day brings with it a chance to compromise. Your board is actively involved in promoting a strong safety culture and the employees are committed to ensuring their own safety and the safety of others. We celebrate what we have accomplished and we look forward to the work ahead. We plan to add to our safety record day by day as we continue working safely to keep your lights on.

RELIABILITY

Our members consistently tell us that reliability is one of their top priorities. The average EEA member experienced 3 hours and 52 minutes of cumulative power loss in 2022. That equates to 99.96% reliability, which is a little lower than what we strive for but still an impressive number.

A large portion of our 2022 outage minutes occurred after a Tri-State Generation and Transmission substation transformer failed. In August, the transformer that serves Mancos and the surrounding communities failed, causing a widespread outage. We keep a backup transformer on hand, but that unit was already in use because another substation transformer was out of service for routine maintenance.

To restore service as soon as possible, Tri-State brought in a backup transformer from another part of the state. Because Tri-State's primary truck driver for this area was on vacation, a secondary driver had to be brought in, which caused further delay. Furthermore, a lightning storm rolled in shortly after the failure. Yes, Murphy's Law

is still valid. It really was a perfect storm for a prolonged outage. Nevertheless, EEA crews worked alongside Tri-State crews to get power restored and we had most people back on within a few hours. We have made strong efforts over the past few years to increase our backfeed capabilities, and those efforts paid off by allowing us to feed most of our consumers in the Mancos area from different substations while we worked to get the backup transformer in place.

RATES

We were once again able to keep our rates stable in 2022. Like everyone else, EEA has experienced significant cost increases over the past few years. From specialized equipment like transformers and underground cable to common materials such as nuts and bolts, everything has gone up in price. We have made considerable efforts over the last decade to operate more efficiently, and we are realizing the fruits of those efforts by being able to keep rates stable amid rising costs. EEA ranks in the lower half of Colorado electric cooperatives for average monthly cost of electric service. We may not be able to offer the lowest rates in the state because we do not have the consumer density found in more urban areas, but we remain committed to providing reliable power and excellent customer service at an affordable price.

Tri-State is in the process of filing a new rate at FERC that will likely become effective in January 2024. The Tri-State rate plays a significant role in determining EEA's rates. We are closely monitoring the FERC process and we will determine whether any changes need to be made to our rates after it becomes clearer what the Tri-State rate will be. We expect that some adjustments will need to be made, but we do not anticipate major changes.

ELECTRIC SYSTEM

2022 was a record year for new service connections. We connected 211 new services, which was nearly double our 10-year average. This significant increase caused us to reevaluate our service request process. The goal of the evaluation was to find ways to better handle larger volumes of requests without increasing costs to the membership. A result of this effort is our new construction estimator tool. This is a free, online tool that members can use to estimate project costs quickly and easily. The estimator only requires three inputs: type of service, distance from existing EEA facilities and size of service. The tool and detailed information about how to use it can be found at eea.coop.

We continue to perform system maintenance and upgrades to ensure that we are equipped to meet our members' current and future power needs. A major project in this regard is a 69-kilovolt sub-transmission line that will connect our Monticello Rural substation with PacifiCorp's Pinto substation. Presently, the Monticello area is served via a radial 44-kV sub-transmission line that originates from a substation east of Cahone. When this 44-kV line is taken out of service, due to an outage or scheduled maintenance, the Monticello area is left without a source of power. This project will allow us to serve our members in and around Monticello from the new 69-kV line when the normal 44-kV line is unavailable. We had hoped to complete this new 69-kV line this spring, but the weather severely hindered our efforts. The new line is now expected to be completed this summer.

As previously reported, we have been working on three major solar projects over the past few years. After navigating contract negotiations along with permitting, design, and engineering processes, construction finally began in 2022. The Totten Lake project was energized in December 2022;

the Rocky Ford project was energized in March 2023; and the Montezuma project is expected to be energized this month. We structured contracts between EEA and Tri-State and between EEA and the project developer so that the projects provide economic benefit to all EEA members.

FINANCIALS

EEA remains in a strong financial position. We ended the year with more revenue than expected because we did not incur some anticipated expenses. The board considered the position of the cooperative and decided to defer \$550,000 of revenue. This deferred revenue will be recognized in future years to help keep rates affordable. After subtracting the deferred revenue, our 2022 operating margin was \$1.3 million, and our total margin was \$1.8 million. These margins will be allocated as capital credits to members who took service during the year and will be returned during future capital credit retirements.

COMMUNITY INVOLVEMENT AND MEMBER SERVICES

EEA invests in the communities it serves. Not only do we provide an essential service, we also support our communities through scholarships, sponsorships, donations and rebates. EEA donated \$60,000 for scholarships and over \$100,000 to other community causes in 2022. We also partnered with Tri-State to provide nearly \$260,000 in energy efficiency and beneficial electrification rebates to members in 2022. You can find a list of the rebates we offer at eea.coop.

In addition to the above dollars, EEA returned over \$1.7 million in capital credits to our members in 2022. All for-profit utilities' revenue that exceeds expenses is profit for the shareholders. In cooperatives, the members are owners, and profits get returned to members as capital credits. EEA has retired nearly \$39 million in capital credits to its members since 1939.

POWER SUPPLY

Tri-State continues to provide us with reliable wholesale power at a competitive rate. As noted above, we will monitor Tri-State's rate filing and evaluate what effects it will have on our retail rates.

We will also continue to monitor Tri-State's Contract Termination Payment (CTP) case at the Federal Energy Regulatory Commission (FERC). This is a very important issue for all Tri-State cooperative members. FERC's decision will determine how contract termination payments will be calculated for Tri-State members who choose to terminate their electric supply contracts with Tri-State. If the CTP is too low, remaining Tri-State members will have to pick up additional costs that are left by the departing cooperative. If the CTP is too high, then departing cooperative members will have to pay more than their fair share to leave Tri-State. We have submitted comments to FERC expressing our support for a fair methodology that ensures remaining members remain unharmed if a member departs. We will continue to participate in FERC proceedings as necessary.

THANK YOU

2022 was EEA's 83rd year of serving our members. Our commitment to safely, responsibly and reliably meeting your electrical energy needs is as strong today as it has ever been. Our strength stems from a board of directors that provides steady leadership, employees who are dedicated to their jobs, and, of course, a membership that strongly supports its electric cooperative. We thank you for your continued support.

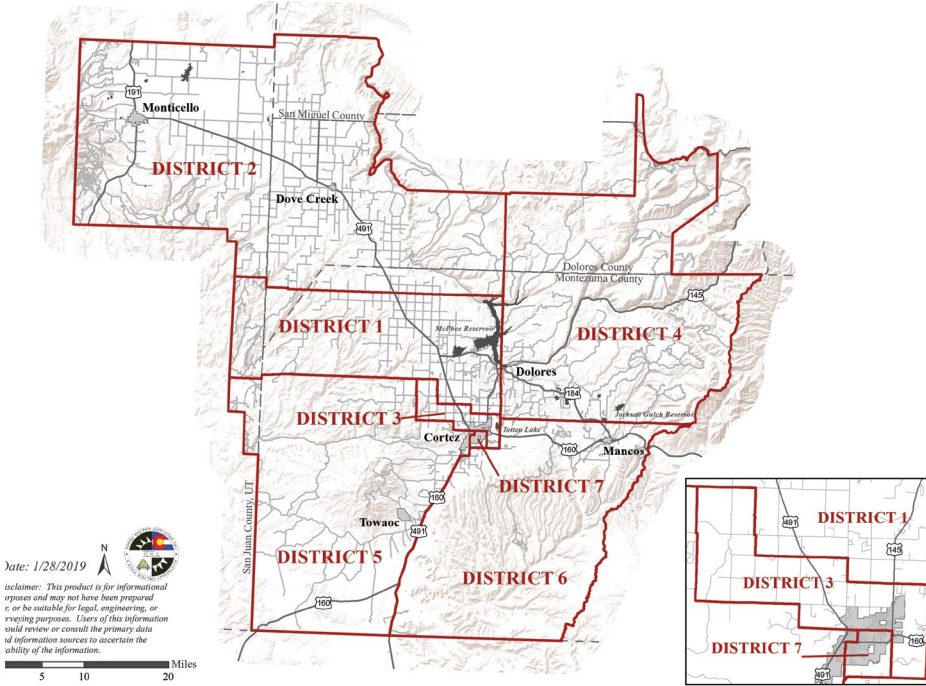


DAVID SITTON



JOSH DELLINGER

EMPIRE ELECTRIC ASSOCIATION BOARD DISTRICTS MAP



DISTRICT 1: JERRY FETTERMAN, SECRETARY TREASURER



DISTRICT 2: ROBERT BARRY



DISTRICT 3: COREY ROBINSON



DISTRICT 4: NORMAN BUTLER



DISTRICT 5: KENT LINDSAY, VICE PRESIDENT



DISTRICT 6: DAVID SITTON, PRESIDENT



DISTRICT 7: LARRY ARCHIBEQUE

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

Thursday, June 15, 2023

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.



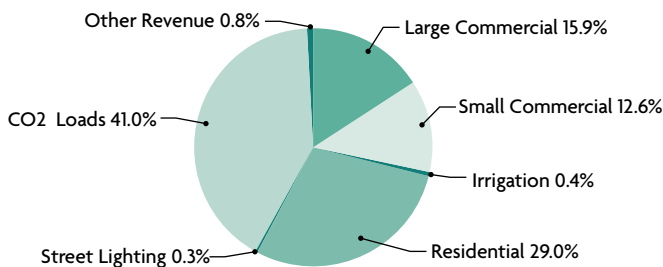
BALANCE SHEET

	2022	2021
Assets		
Net Utility Plant	\$60,672,125	\$58,757,258
Other Assets and Investments	50,305,367	50,800,495
Current Assets	14,168,949	12,513,246
Deferred Charges	-	-
Total Assets	\$125,146,441	\$122,070,999
Liabilities and Capital		
Capital Equities	\$ 71,080,969	\$70,979,481
Long-Term Debt	40,596,579	39,100,196
Current Liabilities	11,919,653	11,010,067
Deferred Credits	1,549,240	981,255
Total Liabilities and Capital	\$125,146,441	\$122,070,999

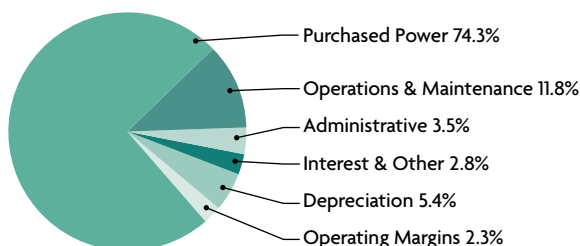
STATEMENT OF OPERATIONS

	2022	2021
Operating Revenue		
Residential	\$17,065,123	\$15,946,328
Irrigation	252,052	220,577
Small Commercial	7,412,769	7,767,117
Large Commercial	9,339,804	7,452,168
CO2 Loads	24,153,346	20,446,672
Street Lighting	197,245	186,476
Other Revenue	462,461	418,459
Total Operating Revenue	\$58,882,800	\$52,437,797
Expenditures		
Purchased Power	\$43,721,839	\$38,068,660
Operations & Maintenance	6,923,974	7,059,224
Administrative & General	2,040,007	2,167,027
Depreciation & Amortization	3,199,444	3,115,532
Interest & Other Deductions	1,634,439	1,543,355
Total Expenditures	\$57,519,703	\$51,953,798
Margins		
Operating Margins	\$1,363,097	\$483,999
Non-Operating Margins	37,270	1,501,363
G&T and Other Capital Credits	452,845	1,188,307
Net Margins	\$1,853,212	\$3,173,669

WHERE EMPIRE'S 2022 REVENUE CAME FROM



WHERE EMPIRE'S 2022 REVENUE DOLLARS WENT



PROPERTY TAXES

Montezuma County	\$447,175
Dolores County	59,896
San Miguel County	3,898
San Juan County, Utah	44,165
Franchise Taxes Paid to Cities and Towns	749,259
Sales Tax	758,793
Payroll Taxes	417,640
Other Taxes	423
Total 2022 Tax Obligations	\$2,481,249

SYSTEM STATISTICS

	2012	2022
Total active services as of 12/31	15,749	16,858
Total miles of line	1,937	1,958
Total kilowatt-hours purchased	642,514,243	625,395,517
Total kWh sold	631,233,336	617,362,038
Average monthly kWh usage for residential class	650	704
Average monthly billing for residential class	\$84.59	\$105.91
System peak demand kW	89,460	90,743
Month of peak	December	December
Number of Full Time employees	60	56
Total margins	\$2,766,557	\$1,853,212
Cost per kWh purchased	8.133¢	9.197¢
Cost per kWh sold	8.279¢	9.317¢
Revenue per kWh sold	8.348¢	9.538¢
Capital Credits Retired		
Empire	\$449,228	\$1,153,496
G & T	\$16,241	\$570,404
TOTAL	\$465,469	\$1,723,900

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
Work Force	56 full time employees, 51 in Montezuma County, 3 in Dolores County and 2 in San Juan County, Utah
Annual Payroll	\$5,644,403
Total Plant in Service	\$101,923,316
Total Assets	\$125,146,441
Transmission System	107 miles of high-voltage transmission line
Distribution System	1,411 miles of overhead distribution line, 440 miles of underground distribution line and 20 substations
Annual Revenue	\$58,882,800
Operating Margin	\$1,363,097
Total Margin	\$1,853,212
Annual kWh Sales	617,362,038 kilowatt-hours
Types of Service	Farm, ranches, irrigation, residential, light industrial, oil and gas pumping and a large carbon dioxide extraction project.