

 **DMEA**

2020 ANNUAL REPORT

MESSAGE TO OUR MEMBERS

There are a lot of things that disconnect us from each other these days. Some of these we celebrate, like the stunning canyons, rivers, plateaus, and peaks that separate us by distance and terrain. Others, not so much. Politics, religion, climate change, economic ideologies, and the like seem to create deep divisions across our nation and even locally. Add a worldwide pandemic into the mix and 2020 became a year we all wanted to disconnect from.

But what if we focused instead on what keeps us connected? For DMEA, in the literal sense, our grid connects every home, every business, and every member with another. That grid remained a constant, safe, and reliable power connection throughout the year. When COVID-19 first hit our communities and the safer-at-home and shelter-in-place orders were instituted, we doubled down on our efforts to ensure our ability to serve you never wavered. Even as we closed our doors to the public and sent staff members to work from home, our commitment to serve remained absolute.

On the following pages, you'll read about how we kept our communities connected in 2020. As you do, I hope you'll also spend a moment thinking about what connects you. . . to your friends, your neighbors, your community, and maybe, just maybe, someone you're at odds with. You'll find something that connects you. Guaranteed.

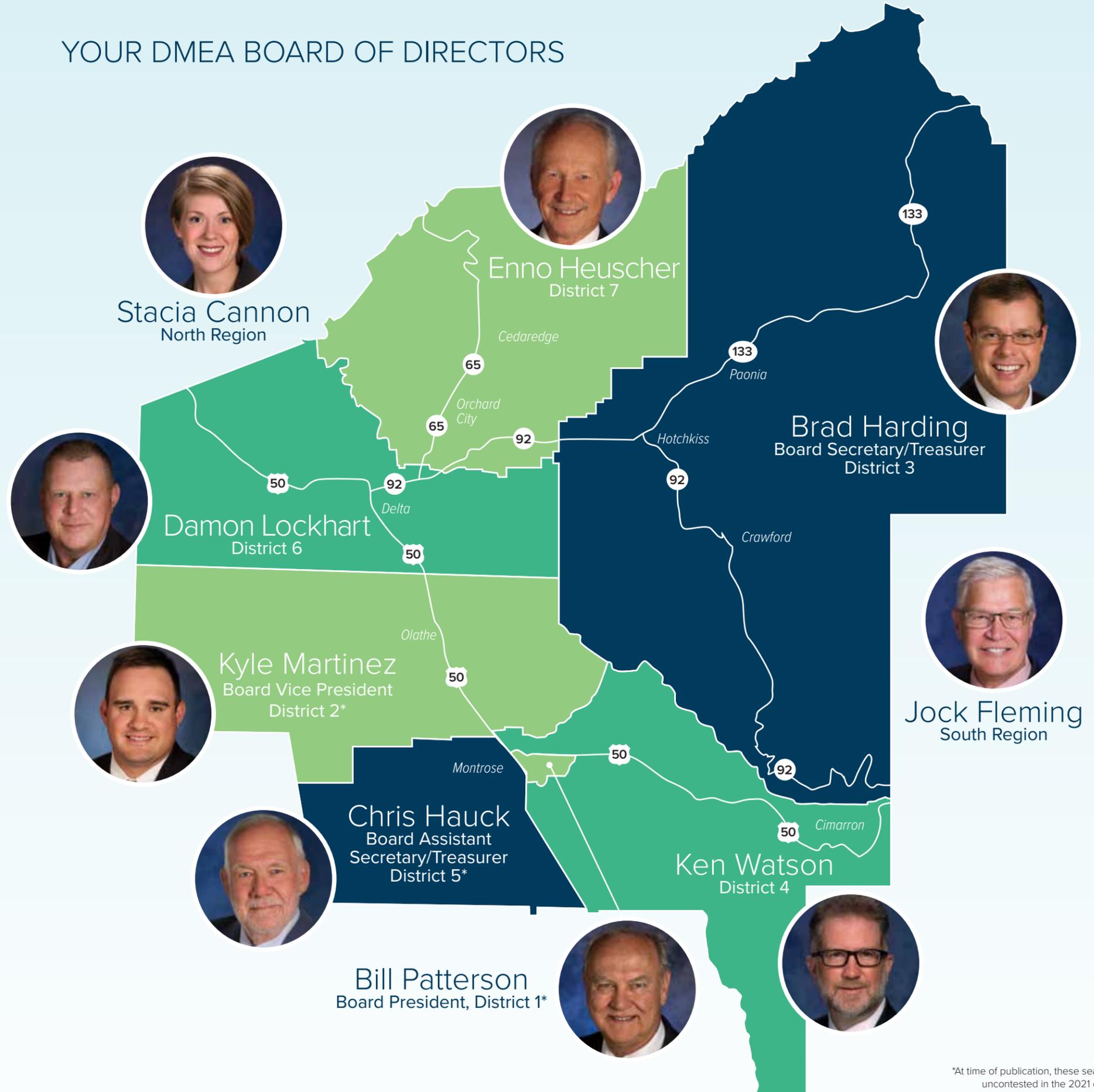


Bill Patterson
Your DMEA Board President

DMEA LEADERSHIP

Virginia Harman, Chief Operating Officer
Kent Blackwell, Chief Technology Officer
Wade Pynes, Chief Financial Officer
Jim Heneghan, Chief Power Supply Officer
Kathy McKie, Director of Human Resources
Jeff Hurd, General Counsel

YOUR DMEA BOARD OF DIRECTORS



Stacia Cannon
North Region

Enno Heuscher
District 7

Brad Harding
Board Secretary/Treasurer
District 3

Damon Lockhart
District 6

Kyle Martinez
Board Vice President
District 2*

Jock Fleming
South Region

Chris Hauck
Board Assistant
Secretary/Treasurer
District 5*

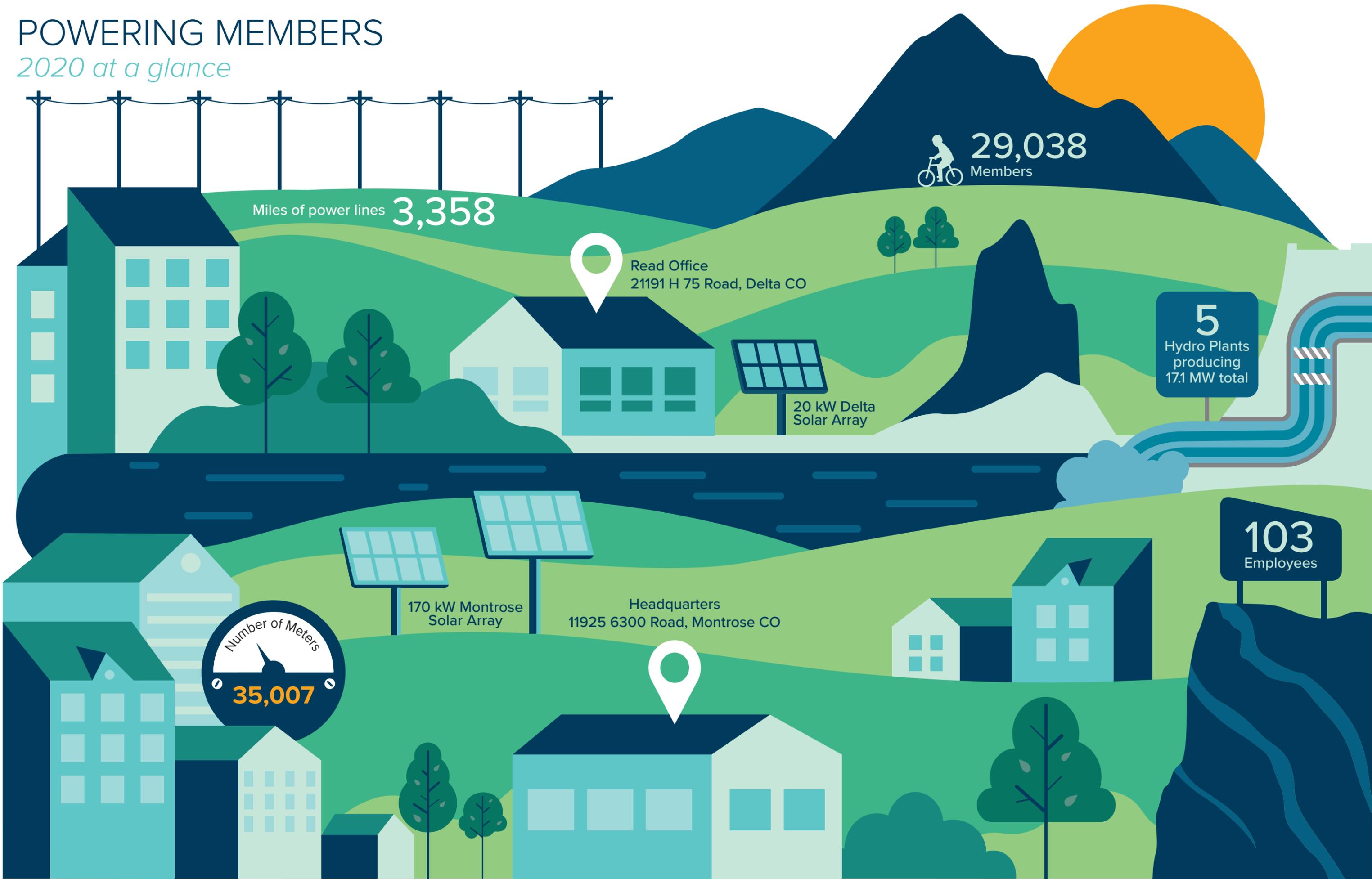
Ken Watson
District 4

Bill Patterson
Board President, District 1*

*At time of publication, these seats were uncontested in the 2021 election.

POWERING MEMBERS

2020 at a glance



29,038
Members

Miles of power lines 3,358



Read Office
21191 H 75 Road, Delta CO

5
Hydro Plants
producing
17.1 MW total



20 kW Delta
Solar Array



170 kW Montrose
Solar Array

Headquarters
11925 6300 Road, Montrose CO



103
Employees

POWERING THE GRID

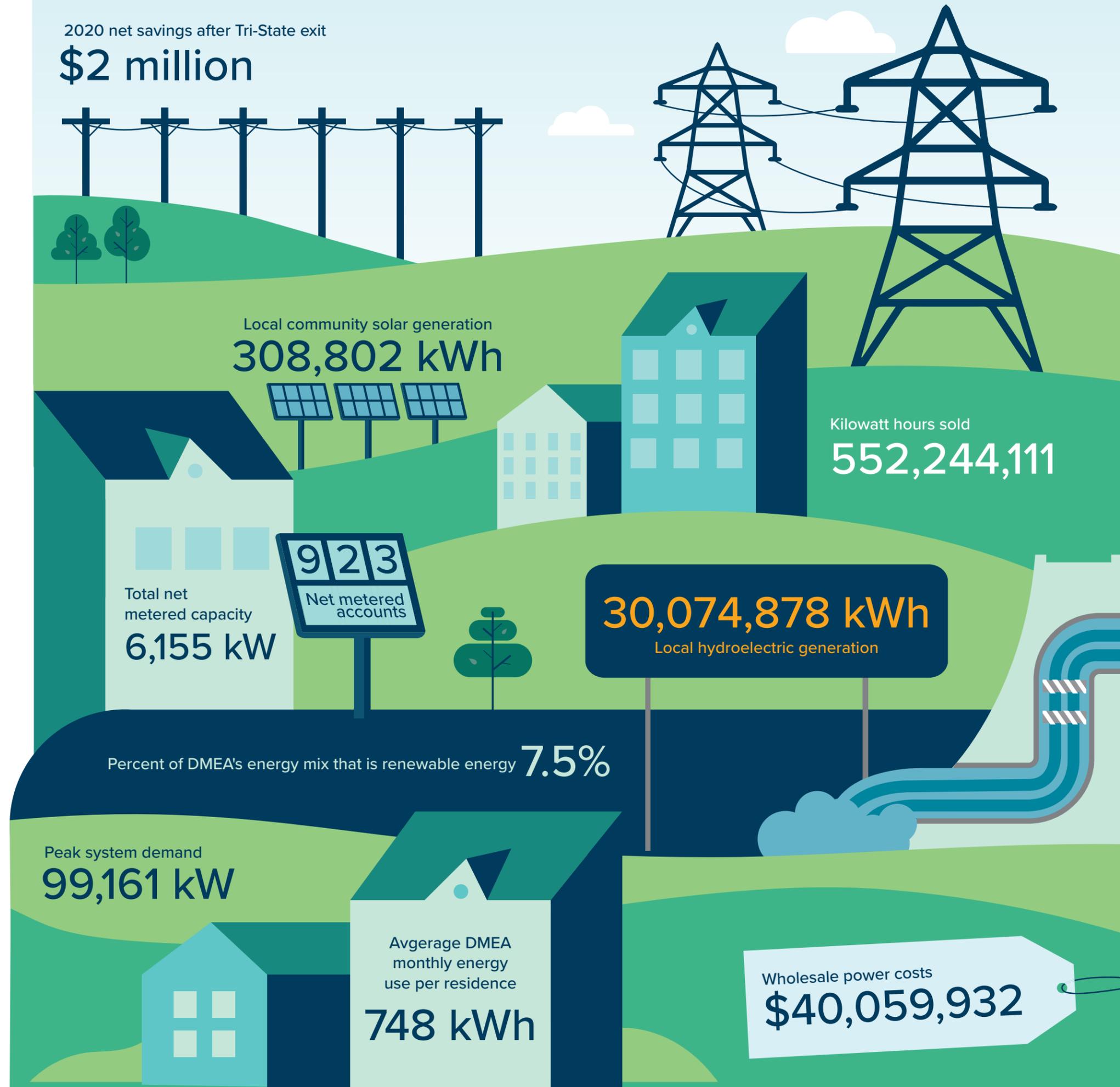
In July 2020, a decade's worth of work finally culminated. DMEA exited its power supply agreement with Tri-State Generation and Transmission Association and officially flipped the switch to Guzman Energy. They immediately began providing power to DMEA at a more competitive wholesale rate. Over the 12.5-year life of the contract, we will have the flexibility to purchase up to 20% of our energy needs locally. We also promptly dove into our first joint large-scale renewable energy project: an 80-megawatt solar array in Delta County with Garnet Mesa Solar LLC.

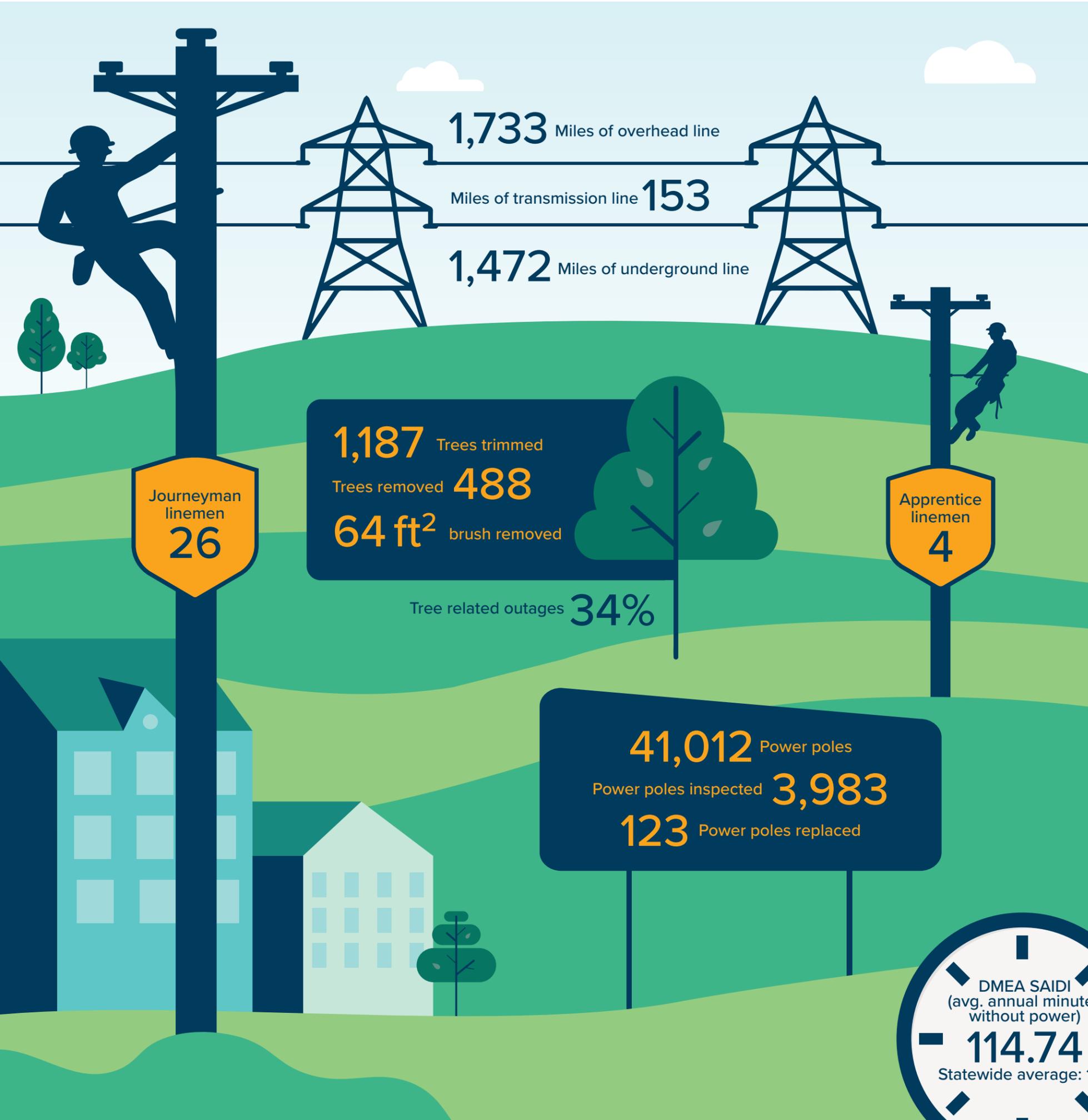
During the process of transitioning to Guzman Energy, we often heard your concerns about reliability. Tri-State served DMEA with reliable electricity for decades and, understandably, our members expressed some concerns about Guzman stepping into that role. Unlike Tri-State, Guzman is not a traditional generation company; they are a power marketer. Guzman is a different type of utility that buys, rather than owns, energy and transmission services and delivers those to their customers, like DMEA. This gives Guzman the flexibility to take advantage of price changes in the utility market. Additionally, they are not saddled with the risks and expenses of owning and operating their own plants, from maintenance, malfunctions, damage, emissions, regulatory oversight, to volatile fuel costs.

We're experiencing a pivotal moment of disruption within our industry where affordability and reliability now require flexibility. The market is crowded with independent power producers, particularly in the renewable sector, that offer diversity in resources and lower prices than traditional fossil fuels. Technology is advancing at an accelerated pace from solar panels to battery storage. More and more individuals are choosing distributed generation to power their lives—they are installing solar panels or micro-hydro units on their private property. The traditional utility model is no longer the best option. Together with Guzman, DMEA will successfully navigate these changes to ensure security, stability, and affordability for our members.

2020 net savings after Tri-State exit

\$2 million





POWERING RELIABILITY

In 2020, DMEA's grid reliability once again exceeded state and national benchmarks. On average, our members only experienced a total of 114 minutes without power. Three key practices ensure DMEA is one of the most reliable electric providers in the nation.

Prevention: Aggressive tree trimming and vegetation management, regular pole inspections, and executing a long-term construction work plan are all vital to preventing power outages. Trees and vegetation play a role in approximately 34% of all our outages. As a result, over the past year, DMEA kicked off what will be a multi-year undertaking to remove trees growing in our power line rights-of-way. The goal is to reduce the risk of trees or limbs falling into lines during storms and, ultimately, reduce outages. We also routinely inspect the 40,000+ poles across our system to identify poles that need to be replaced.

Restoration: A crew of 30 DMEA line workers is ready around-the-clock to repair our lines, poles, and equipment when an outage occurs. This dedicated team is supported and coordinated by our 24-hour dispatch center. From answering the first outage call to restoring power to the last meter, together, these two teams focus on restoring power safely, above all else. Using sophisticated technology both out in the field and in the office, dispatchers can identify the affected area and send our line crews out efficiently. Likewise, once in the field, our line crews visually assess the damage, identify the physical cause of an outage, request specific areas be isolated, and reroute the power while they work on repairs.

Monitoring: We don't maintain excellent reliability without monitoring our progress. Most electric utilities use a metric call SAIDI – System Average Interruption Duration Index. Established by the Institute of Electrical and Electronics Engineers, this universal metric calculates the average number of outage minutes a utility experiences per year. DMEA falls far below the state (133 minutes) and national (192 minutes) SAIDI averages, but that doesn't mean we don't work toward even higher standards for ourselves. In 2020, we set our gold SAIDI goal at less than 90 minutes. We came in just above that at 114.74 minutes, due in part to numerous outages caused by vehicles hitting and breaking our power poles.

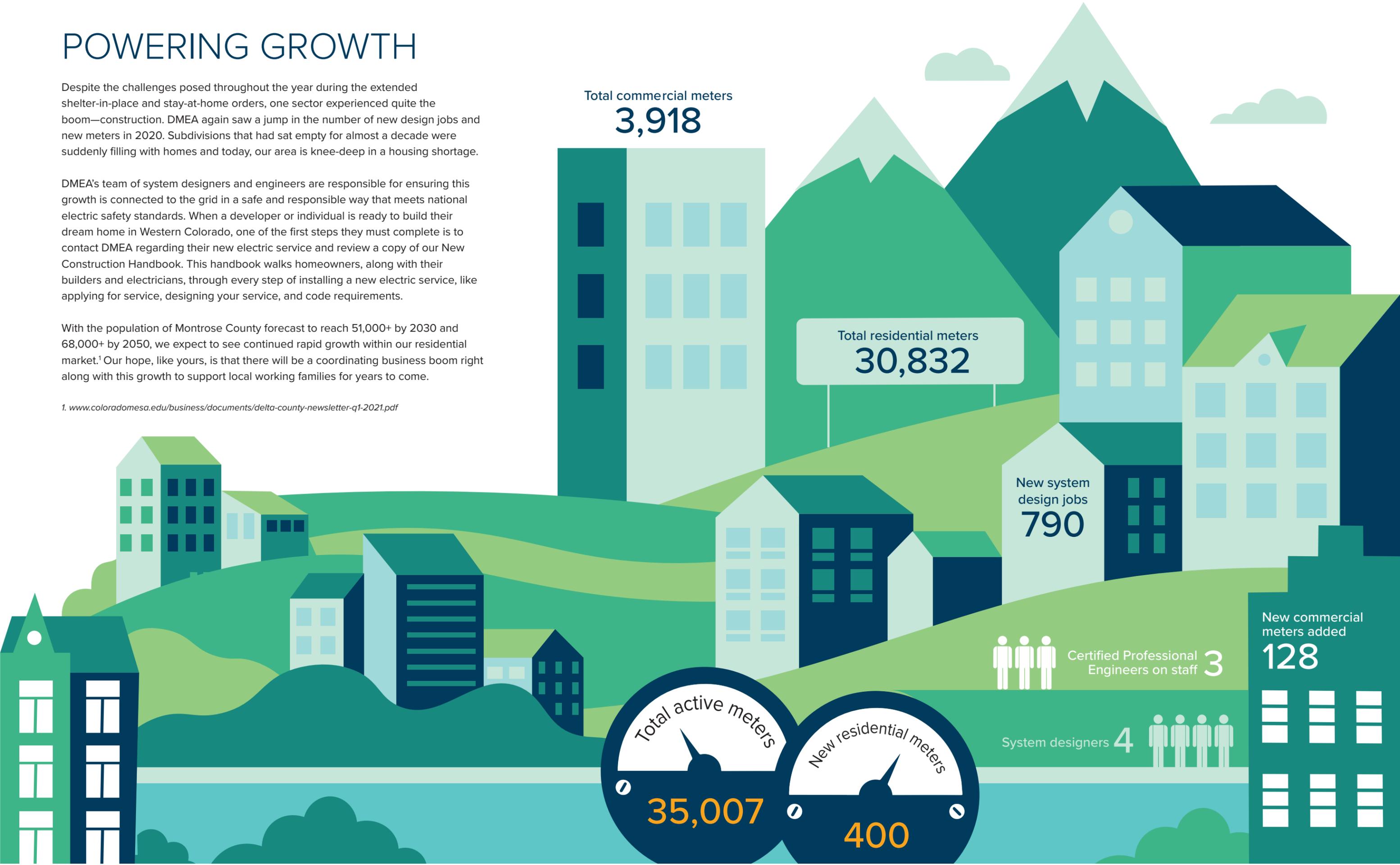
POWERING GROWTH

Despite the challenges posed throughout the year during the extended shelter-in-place and stay-at-home orders, one sector experienced quite the boom—construction. DMEA again saw a jump in the number of new design jobs and new meters in 2020. Subdivisions that had sat empty for almost a decade were suddenly filling with homes and today, our area is knee-deep in a housing shortage.

DMEA's team of system designers and engineers are responsible for ensuring this growth is connected to the grid in a safe and responsible way that meets national electric safety standards. When a developer or individual is ready to build their dream home in Western Colorado, one of the first steps they must complete is to contact DMEA regarding their new electric service and review a copy of our New Construction Handbook. This handbook walks homeowners, along with their builders and electricians, through every step of installing a new electric service, like applying for service, designing your service, and code requirements.

With the population of Montrose County forecast to reach 51,000+ by 2030 and 68,000+ by 2050, we expect to see continued rapid growth within our residential market.¹ Our hope, like yours, is that there will be a coordinating business boom right along with this growth to support local working families for years to come.

1. www.coloradomesa.edu/business/documents/delta-county-newsletter-q1-2021.pdf



DMEA members using SmartHub **15,641**

33,000+ payments made through our IVR (phone) system

Number of phone calls received **161,817**

Members enrolled in Operation Round Up
10,663

Operation Round Up distributions
\$57,918

Scholarships
\$37,000

Crisis Funds awarded
\$4,671

Fees waived because of COVID
\$226,000

Unclaimed capital credit donations
\$60,367

Sponsorships and donations
\$23,419

POWERING COMMUNITY

When businesses were forced to close their doors during the statewide shelter-in-place order last year, DMEA rapidly transitioned to remote work for many of our employees. In a matter of days, makeshift offices were erected in kitchens, living rooms, and basements. Meetings went completely virtual using platforms like Zoom, Go ToMeeting, and FaceTime.

We were glad to be able to remain connected to our members and provide reliable essential electric service despite this transition. Here are just a few ways we doubled down on our commitment to you.

- We immediately suspended our disconnect process, including waiving fees, well before the Governor's mandate. During a state of emergency, you shouldn't have to worry about having reliable electricity.
- We doubled the amount of assistance dollars in our crisis fund, which helps members immediately pay their electric bill during any type of emergency such as medical issues, job loss, home fires, or a worldwide pandemic.
- We conducted business as usual, at least, as close to usual as possible without seeing our members face-to-face. In addition to chatting with us on the phone, our phone's interactive voice recognition software allowed members to make payments on their accounts 24/7. Likewise, our online account management portal called SmartHub, provided the same 24-hour access so members could view and pay their bills, check out their energy consumption patterns, update their credit card information, and set up phone and email notifications. Add in our website, www.dmea.com, which provides important news, documents, and other information, and the only thing our members missed out on was seeing our friendly smiles.

Whether we were adjusting to new work tools, like remote desktops, or relying more heavily on ones already in place, like SmartHub, we kept our promise to keep you connected.

Deferred revenue
\$5 million

**No rate increase
in 2020**

Residential energy rate **\$0.1095/kWh**

DMEA controllable expenses per consumer
\$427.16

State median controllable expenses per consumer
\$538.10**

Electric revenue **\$69,188,786.65**

Wholesale power costs
\$40,059,932.19

POWERING STABILITY

With approximately 13.2% of Montrose County residents¹ and 15.1% of Delta County residents² living in poverty, affordable electricity is essential. That's why rate stabilization was the primary catalyst behind terminating our wholesale power agreement with Tri-State Generation and Transmission Association. In July 2020, we officially began our partnership with a new power supplier, Guzman Energy. This alone resulted in more than \$2 million of net savings for our members in just the last six months of the year.

What does this mean for your rates? In 2020, DMEA held your rates steady; below the state average for Colorado cooperatives. Our ability to do so was particularly noteworthy in 2020 because many factors had a detrimental impact on DMEA's revenue. The most significant being extreme load loss due to the continued decline in mining operations and business closures.

To combat this, we tightened our belts. Every department was asked to review their budget, line-by-line, and identify areas to cut or delay spending. All planned travel for educational conferences or training was suspended. Instead, our team members attended virtually when possible. We also delayed the start date of some of our construction workplan projects. These are just two examples of across-the-board savings efforts by our staff.

Our financial strength, stability, and readiness to swiftly respond to the unexpected challenges thrown at us in 2020, are all part of our steadfast commitment to you, our members. As a result, we came out of it in solid condition and deferred \$5 million in revenue to help guard against future rate increases for our members.

For the Year Ended December 31*

	2020	2019
Revenues	71,425,658	69,904,013
Expenses	72,762,740	73,392,244
Other income (expense)	(51,397,814)	2,840,000
Net margins	(52,734,896)	(648,231)

Assets	220,374,417	242,118,542
Liabilities	172,939,117	141,857,600
Equity	47,435,300	100,260,942

**The accompanying notes are an integral part of these condensed financial statements. Review the full independent auditor's report online at www.dmea.com/financial-statements.*

***2019 data; 2020 unavailable*

1. www.census.gov/quickfacts/fact/table/montrosecountycolorado,US/IPE120219
2. www.census.gov/quickfacts/fact/table/deltacountycolorado,US/IPE120219

POWERING NEW CONNECTIONS

Never has the need for reliable and fast internet been more apparent than in 2020. No one expected the initial temporary work from home situation to last more than a year. But two weeks stretched into two months and eventually to 'until further notice.' Suddenly, we were all taking conference calls at the kitchen counter, while our children joined Zoom calls with their teachers, and our partner hunkered down with their laptop in the spare room. The need for bandwidth exploded. Not just any bandwidth—local families needed the reliability and speed only fiber can provide, and Elevate delivered.

When COVID-19 first began impacting our local communities, Elevate jumped into action to support our customers and community.

We immediately suspended our service disconnections for non-pay and kept this practice in effect through the State of Emergency.

To support the increased bandwidth needs of homebound consumers, we upgraded all residential accounts to our fastest speed, 1,000 Mbps (1 Gig), free of charge.

We created an assistance fund for consumers in need to help them continue paying a portion of their bill.

When local schools suspended in-person learning, Elevate connected homes in which students or educators lived for free, plus waived the cost of the first two months of internet service.

We were blessed to be able to serve our communities as an essential service and you returned that blessing tenfold—we connected 1,995 local homes and businesses to truly high-speed internet in 2020. Thank you for choosing Elevate.

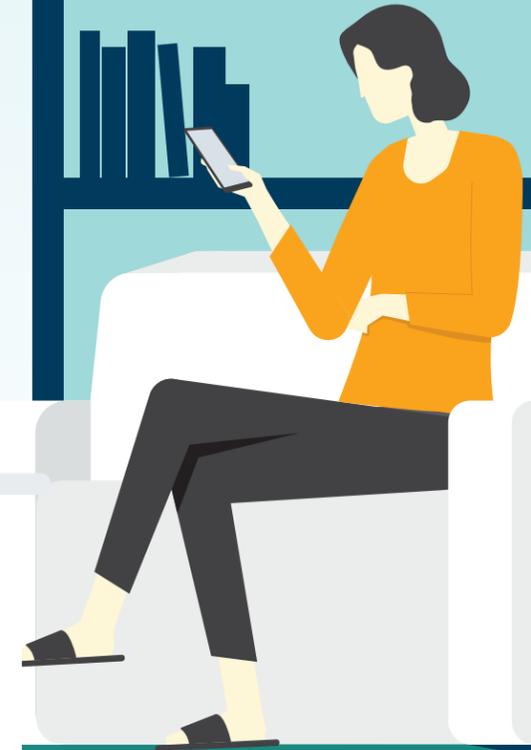


Total customers **8,938**

787 Total TV customers

Total phone customers **1,433**

37 Average new customers per week



COVID-19 Assistance Funds granted
\$780

Total Miles of Fiber
970

7,163 Number of customers upgraded to 1 Gig during State of Emergency

Total grants received through end of 2020

\$14,760,210

Community giving

\$17,193

Employees (as of 12/31/20)

10



APPLICATIONS & DATABASE

Kent Blackwell, Janet Green, Nadine Hatch, Thomas Nehring



SYSTEM DESIGN

Back row: Virginia Harman, Jesse Harrington, Terri McIlhenny, Darleen Carron, Shelby Bear, Front row: Phil Sanchez, Vince Brackett, Mateusz Pena



GEOGRAPHIC INFORMATION SYSTEMS

Back row: Janet Green, Kent Blackwell, Donna Hebein Front row: Alissa Heineke, Michelle Brew



OPERATIONS

Back row: Guy Gard, Virginia Harman, Mike Kuta, Troy Hall, Cody Manganello, Cody Carver, Nathan Puderbaugh, Wade Wilson, Tim Brandon, Numa Dessauer, Steve Holst, Ivor Ayers, Bill Hughes Front row: Cole Zunich, Josh Lenz, Cody Littlefield, Wade Rowley, Scott Breithaupt, Colton Spencer, Heath Thaute, Marty Elliot, Chance Stevens Not pictured: Terrel Wells, Cameron Atwood, Chuck Madison, Nick Reich, Curtis Jiron, Bailey Hoffmeister



FACILITIES AND WAREHOUSE

Back row: Daniel Calderilla, Robert Gauthreaux, Kenny Sauter, Troy Hall Front row: Junior Aragon, Lisa Harrington, Virginia Harman



ELEVATE NETWORK & ENGINEERING

Back row: Craig Metcalf, Kent Blackwell, Kelly Walters, Josh Bunker Front: Dakota Cole Not pictured: Travis Stock



VEGETATION MANAGEMENT

Travis Swaim, Troy Hall, Dustin Kruse, Mitchell Whiteside, Coltan Jensen, Zane Wilson, Jake Bradburn, Scott Jackson, Virginia Harman



ELEVATE BUSINESS DEVELOPMENT

Mark Kurtz, Margaret Davey, Jason Martin, Kent Blackwell



ELEVATE OPERATIONS & CONSTRUCTION

Taylor Katzer, Kelby Carver, Kent Blackwell, Jonathan Nelson Not pictured: Joel Wilkes



DISPATCH

Joe Crain, Garyd Casteel, Crystal Plumb, Nathan Trujillo, Mateusz Pena Not pictured: Vernon Willis, Wally Bailar



ENERGY SERVICES

Karen Archey, Jim Heneghan, Rod Geiger



MARKETING AND COMMUNICATIONS

Laura Sanders, Becky Mashburn, Rachael DeRossi, Virginia Harman



HUMAN RESOURCES, SAFETY & ADMINISTRATION

Back row: Amy Taylor, Cindy Gardner, Chad Stickler, Tiffany Stewart Front: Kathy McKie



INFORMATION TECHNOLOGY

Kent Blackwell, Jay Suckey, Chad Nutter, Rob Thaute



CUSTOMER SERVICE

Back row: Renee Valdez-Knowles, Felicia Basagoitia-Rash, Jodi Armendariz, Lisa Rottinghaus, Greg Hobbs, Lisa Hebertson, Matt McArthur, Paula Adamson, Sara McCombs, Kay Donley, Monica Suarez, Virginia Harman Middle: Becky Orona, Joe Hylton Front row: Rosemary Rodriguez, Terri Thase, Kate Larmouth, Tyla Lyon, Rubi Flores-Saenz Not pictured: Jordan Yates, Brooke Mathis, Skyler Shepard



FIELD SERVICES

Scott Burr, Troy Hall, Paul Pariseau, Virginia Harman, Pat Pettengill



ENGINEERING

Back row: Roger Percival, Mateusz Pena, Jonathan Walcott, Chad Francis Front row: Virginia Harman, Larry Donathan



FINANCE & ACCOUNTING

Back row: Michelle Kehmeier, Teresa Lehigh, Andy Penfield, Ronni Bromley, Myrna Stilley, Jessica Forrest Front row: Pam Loomis, Wade Pynes, Yvonne Zeman