

# EMPIRE ELECTRIC ASSOCIATION

*Echoes of the Empire*

JUNE 2024

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Cortez, CO 81321-0676

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## Monthly Calendar

**June 14** – 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** – Continuing education scholarship applications due

**June 16** – Father's Day

**June 20** – EEA Annual Membership Meeting

# 2023 ANNUAL REPORT

BY DAVID SITTON PRESIDENT

JOSH DELLINGER GENERAL MANAGER



DAVID SITTON



JOSH DELLINGER

## SAFETY

Empire Electric Association's mission is to safely, responsibly, and reliably meet the electrical energy needs of our member-owners. Safety's place at the forefront of our mission statement is intentional. Being safe is a prerequisite for being responsible and reliable. We work in an industry that is inherently hazardous. High voltage is mercilessly unforgiving of mistakes. It takes an unwavering commitment to safety to succeed in this industry.

We have worked diligently to cultivate and maintain a culture of safety. That culture begins at the top, with the board's firm commitment to safety, and it flows throughout the organization, from linemen to office personnel and everyone in between. EEA employees are committed to ensuring their own safety and the safety of the general public. It has been over 6 years since our last lost-time accident. That is a great achievement, and we are proud of this safety record; however, we are not satisfied with past safety accomplishments. We cannot fall into the complacency trap but rather must continually look for hazards, refine work procedures, and otherwise focus on safety to ensure the well-being of our employees and our members.

## RELIABILITY

The power grid in the United States is an interconnected system that is widely regarded as one of the great engineering achievements of the past century. The redundancy and stability built into the grid has provided Americans with tremendous electric service reliability for many decades. However, as the nation continues to retire dispatchable generating plants and replace them with more intermittent resources, reliability is rightfully a topic of concern. Indeed, our members consistently tell us that reliability is one of their top priorities.

Many of the decisions to close certain plants and build others are driven by policy instead of grid health or even economics. We work alongside our statewide (CREA) and national (NRECA) electric cooperative organizations to frequently encourage policy-makers to consider reliability when developing energy policy, but at the end of the day, there is only so much we can do to influence either state or national policy. What we can do more unilaterally is ensure we maintain a reliable local distribution system. We take great pride in keeping the lights on for our members. The average EEA member experienced 1 hour and 56 minutes of total outage time in 2023. That equates to 99.98% reliability. We will continue to advocate for grid stability among policy-makers and we will continue to ensure our local distribution system delivers reliable service to our members.

## RATES

We made a handful of changes to our rates in 2024. On and off peak energy charges in all the Time of Use and Demand (TOUD) tariffs were changed to reflect Tri-State's new peaking period, which is proposed to be 1:00 p.m. to 9:00 p.m. These were revenue neutral changes. The Grid Access Charge (GAC) in the Residential All Energy, Residential TOUD, and General Service Single-Phase All Energy tariffs were increased to help reduce cross-class subsidization and recover costs more fairly, which better positions EEA for a sustainable future. Our latest cost of service study confirmed growing negative margins for these rate classes, and the changes moved these rate classes closer to zero net margin.

EEA's board members and employees are all members of EEA who pay the same rates as the rest of our members. Thus, the entire organization has a vested interest in keeping rates affordable. In 2015, according

to a statewide rate survey, we had the 17th lowest residential rates out of 24 reporting cooperatives. Today, that same survey shows we have the 9th lowest out of 23 reporting cooperatives. Our considerable efforts over the past decade to improve operational efficiency have contributed to our significant rise up this list. We may never get to number one in this survey because we just don't have the population density to support ultra-low rates, but we remain committed to providing you with reliable power and excellent customer service at a highly competitive price.

### **ELECTRIC SYSTEM**

We continue to see strong numbers of new services connecting to our system. We connected 140 new services in 2023, which was about 17% higher than our ten-year average.

We completed several major projects in 2023. The 69 kV sub-transmission line that connects our Monticello Rural substation to PacifiCorp's Pinto substation was energized in July. This new line provides a backup source of power for the Monticello area in the event the primary source, a 44 kV line from Cahone, is out of service due to an outage or scheduled maintenance. We also energized two utility-scale solar projects in 2023: the 2 MW Rocky Ford project and the 5 MW Montezuma project. These projects along with the 2.2 MW Totten Lake project that was energized in late 2022 have put us at our 5% self-supply allocation that is outlined in our Wholesale Electric Service Contract.

We are currently competing for several grants that, if awarded, will help us improve our system. We have applied for grants to assist with the following: converting existing overhead lines to underground in fire danger areas, upgrading protective devices to units with more advanced fault sensing capabilities, implementing an advanced vegetation management program, upgrading distribution transformers to allow for beneficial electrification, and constructing a community solar garden.

### **FINANCIALS**

EEA's finance team continues to do a great job ensuring we maintain a strong financial position. We did not incur some budgeted expenses in 2023 which allowed us to end the year with more revenue than expected. The board considered the financial position of the cooperative and decided to defer \$325,000 of revenue. This deferred revenue will be recognized in future years to help keep rates affordable. After subtracting the deferred revenue, our final 2023 operating margin was \$1,250,501 and our total margin was \$4,515,669.

The sale of FastTrack Communications and the sale of a parcel of land contributed to our large total margin. EEA had been a minority shareholder of FastTrack since FastTrack was formed in 2001. EEA was presented with an opportunity to sell FastTrack in 2023, and the board determined that the sale was in the best interest of the EEA membership. EEA also sold a 6.8-acre parcel of land we owned near Totten Lake. This parcel was part of a larger tract EEA purchased in the 1950s as part of a bid to have a power plant built in our service territory. The bid was ultimately unsuccessful, and the plant was built in Nucla. EEA subdivided the larger tract several years ago and this was the latest parcel to sell. The Totten Lake Solar parcel is now the only parcel EEA owns in this area. The board determined to use the revenue from the FastTrack and land sales to reduce rate pressure by offsetting costs of future capital projects.

### **COMMUNITY INVOLVEMENT AND MEMBER SERVICES**

EEA continues to invest in the communities we serve by providing scholarships, sponsorships, donations, and rebates. We donated nearly \$150,000 to community causes in 2023. We also partnered with our power supplier, Tri-State Generation and Transmission Association, to provide nearly \$338,000 in energy efficiency and beneficial electrification rebates to our members in 2023. You can find a list of the rebates we offer at [eea.coop](http://eea.coop).

EEA members invest in their cooperative by paying electric bills that include a small amount of margin. In for-profit utilities, such margins are profits for the shareholders. However, in cooperatives, these margins are used as working capital to invest in the electric system and then are eventually returned to the members as capital credits. Each year the EEA board of directors considers the financial health of the cooperative and determines how many capital credits to retire. We gladly returned \$1.6 million in capital credits to our members in 2023, and we recently returned another \$1.68 million earlier in 2024. EEA has now retired over \$39 million in capital credits to its members since 1939.

### **POWER SUPPLY**

Tri-State submitted its latest Electric Resource Plan (ERP) in December 2023. In the ERP process, Tri-State modeled several scenarios and then chose its preferred option. Under its preferred scenario, Tri-State would reduce its carbon emissions by 89% compared to 2005 baseline levels and generate 70% of its energy from renewable sources by 2030. The ERP is dependent on Tri-State's success in securing funding from the USDA's Empowering Rural America (New ERA) program, which was funded through the Inflation Reduction Act (IRA). It is also contingent on approval from the Colorado Public Utilities Commission.

Tri-State's FERC cases continue to move along. FERC has given some direction in the Contract Termination Payment (CTP) case, but the process is not yet finalized. This is a very important issue for all Tri-State members. The result will determine how contract termination payments are calculated for Tri-State members who choose to terminate their electric supply contracts with Tri-State. If the CTP is too low, then remaining Tri-State members will have to pick up additional costs that are left by the departing member; if it is too high, then departing members will have to pay more than their fair share to leave Tri-State. As it currently stands, FERC has established a methodology that it believes will be fair to

remaining members and exiting members. The four members who are exiting Tri-State are still arguing that the CTP is too high while Tri-State continues to argue that it is too low.

Tri-State also filed a new rate at FERC in June 2023, with an anticipated effective date of January 1, 2024. Tri-State expected protests, but it also expected FERC to accept the rate subject to refund while the protesters and Tri-State argued their points. However, FERC rejected the rate and ordered Tri-State to refile. Tri-State is currently in the process of refiling an updated rate.

We hope to have finality in both the CTP and rate cases very soon. We will continue to

monitor the cases and make our voice heard in the proceedings as necessary.

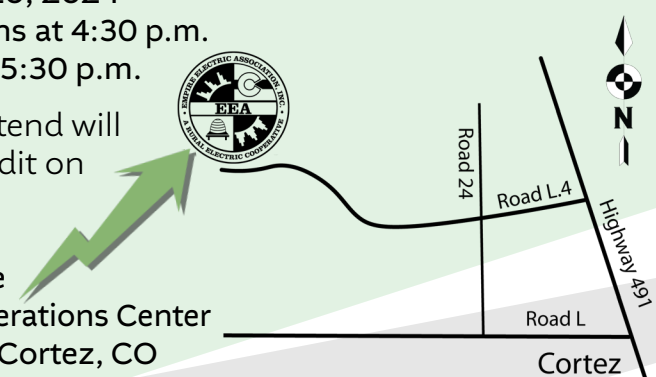
**THANK YOU**

2023 was EEA's 84th 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 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.

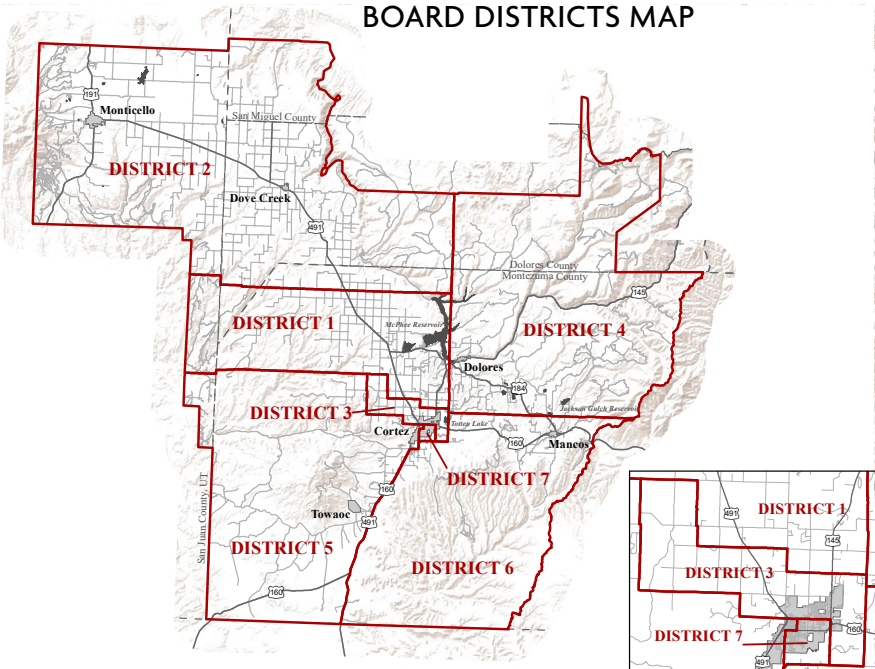
**Empire Electric Association, Inc.**  
**2024 MEMBER ANNUAL MEETING**  
 Thursday, June 20, 2024  
 Registration begins at 4:30 p.m.  
 Meeting starts at 5:30 p.m.

Members who attend will receive a \$10 credit on their electric bill!

Location is at the  
 Engineering & Operations Center  
 23999 Road L.4, Cortez, CO



**EMPIRE ELECTRIC ASSOCIATION BOARD DISTRICTS MAP**



**EEA Board of Directors**



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

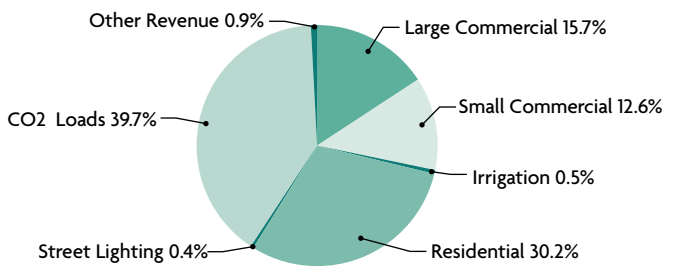
**BALANCE SHEET**

Assets	2023	2022
Net Utility Plant	\$59,648,645	\$60,672,125
Other Assets and Investments	49,567,899	50,305,367
Current Assets	16,773,555	14,168,949
Deferred Charges	-	-
<b>Total Assets</b>	<b>\$125,990,099</b>	<b>\$125,146,441</b>
Liabilities and Capital		
Capital Equities	\$74,145,914	\$71,080,969
Long-Term Debt	38,294,271	40,596,579
Current Liabilities	11,533,158	11,919,653
Deferred Credits	2,016,756	1,549,240
<b>Total Liabilities and Capital</b>	<b>\$125,990,099</b>	<b>\$125,146,441</b>

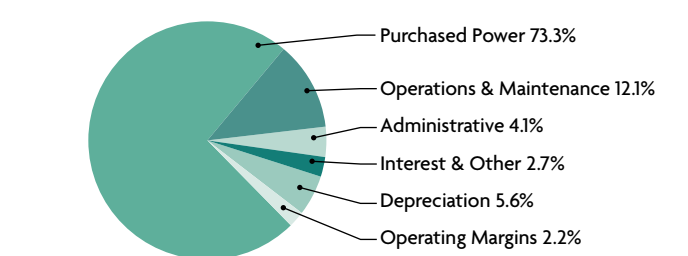
**STATEMENT OF OPERATIONS**

Operating Revenue	2023	2022
Residential	\$17,592,293	\$17,065,123
Irrigation	267,723	252,052
Small Commercial	7,314,288	7,412,769
Large Commercial	9,155,166	9,339,804
CO2 Loads	23,172,789	24,153,346
Street Lighting	206,162	197,245
Other Revenue	510,694	462,461
<b>Total Operating Revenue</b>	<b>\$58,219,115</b>	<b>\$58,882,800</b>
Expenditures		
Purchased Power	\$42,703,293	\$43,721,839
Operations & Maintenance	7,042,239	6,923,974
Administrative & General	2,385,460	2,040,007
Depreciation & Amortization	3,235,214	3,199,444
Interest & Other Deductions	1,564,504	1,634,439
<b>Total Expenditures</b>	<b>\$56,930,710</b>	<b>\$57,519,703</b>
Margins		
Operating Margins	\$1,288,405	\$483,999
Non-Operating Margins	2,504,948	1,501,363
G&T and Other Capital Credits	722,319	1,188,307
<b>Net Margins</b>	<b>\$4,515,672</b>	<b>\$1,853,212</b>

**WHERE EMPIRE'S 2023 REVENUE CAME FROM**



**WHERE EMPIRE'S 2023 REVENUE DOLLARS WENT**



**PROPERTY TAXES**

Montezuma County	\$400,991
Dolores County	55,211
San Miguel County	3,725
San Juan County, Utah	56,546
Franchise Taxes Paid to Cities and Towns	757,968
Sales Tax	766,738
Payroll Taxes	453,664
Other Taxes	440
<b>Total 2022 Tax Obligations</b>	<b>\$2,495,283</b>

**SYSTEM STATISTICS**

	2013	2023
Total active services as of 12/31	15,745	17,035
Total miles of line	1,935	1,966
Total kilowatt-hours purchased	653,594,672	612,842,737
Total kWh sold	641,267,704	604,930,999
Average monthly kWh usage for residential class	676	710
Average monthly billing for residential class	\$97.14	\$107.14
System peak demand kW	92,545	96,754
Month of peak	January	January
Number of full time employees	58	52
Total margins	\$4,658,577	\$4,515,672
Cost per kWh purchased	9.031¢	9.290¢
Cost per kWh sold	9.205¢	9.411¢
Revenue per kWh sold	9.385¢	9.624¢
Capital Credits Retired		
Empire	\$406,137	\$1,059,181
G & T	\$615,609	\$547,414
<b>TOTAL</b>	<b>\$1,021,746</b>	<b>\$1,606,595</b>

**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	57 full time employees, 52 in Montezuma County, 3 in Dolores County and 2 in San Juan County, Utah
Annual Payroll	\$5,779,572
Total Plant in Service	\$103,915,463
Total Assets	\$125,990,099
Transmission System	111 miles of high-voltage transmission line
Distribution System	1,412 miles of overhead distribution line, 443 miles of underground distribution line and 20 substations
Annual Revenue	\$58,219,115
Operating Margin	\$1,288,405
Total Margin	\$4,515,672
Annual kWh Sales	\$604,930,999 kilowatt-hours
Types of Service	Farm, ranches, irrigation, residential, light industrial, oil and gas pumping, and a large carbon dioxide extraction project.