

ANNUAL MEETING OF MEMBERS
Y-W ELECTRIC ASSOCIATION, INC.
June 8, 2023

The 78th Annual Meeting of the Members of Y-W Electric Association, Inc. was convened at 6:00 P.M. on June 8, 2023, at the Y-W Electric Association, Inc. headquarters in Akron, Colorado, pursuant to notice required by the Bylaws of the Association.

PLEDGE OF ALLEGIANCE

Manager Trent Loutensock led the members and guests in the Pledge of Allegiance.

INVOCATION

Pastor Randall Feather gave the invocation.

CALL TO ORDER

President Joneal Young called the meeting to order.

APPOINTMENT OF CREDENTIALS AND ELECTION COMMITTEE

President Young introduced the members who have been appointed to serve on the Credentials and Election Committee.

Charlotte Ritchey (Chair)
Byron McCall
George Reese
Leo Pieper
Susan Watson
Bobbi Christensen
Stephanie Woods
Deb Cooper

INTRODUCTION OF BOARD MEMBERS AND STAFF

President Young introduced the members of the Board of Directors, their wives who were present and members of the Y-W staff.

INTRODUCTION OF GUESTS

Manager Loutensock introduced guests.

QUORUM AND VOTING RULES

Attorney Levi Williamson reviewed the bylaw provisions relating to quorum and voting rules.

REPORT OF ATTENDANCE

President Young reported that there were 276 members registered for the meeting and this constitutes a quorum for the conducting of any business that might come before the meeting, including the election of directors.

READING OF NOTICE OF MEETING

Secretary Freeman Morris read the Notice of Annual Meeting, which includes the time and place of the annual meeting, proof of publication, and the agenda of business to be considered at the meeting.

APPROVE 2022 ANNUAL MEETING MINUTES

It was properly moved, seconded, and carried that the reading of the minutes of the 77th Annual Meeting of Members held March 24, 2022 at Akron, Colorado, be dispensed with and approved as published in the Colorado Country Life magazine.

INTRODUCTION OF NOMINEES FOR DIRECTOR

Attorney Williamson introduced the nominees for Director:

Freeman Morris	District 3
Joneal Young	District 6
Marjie E. Hottinger	District 7
Larry Hill	District 7

Candidates Hottinger and Hill addressed the membership. Floor ballots were collected. Floor ballots and previously received mail ballots were counted in a separate room with oversight by the credentials committee.

2022 CREA CAMP AND YOUTH TOUR DELEGATES

Andy Molt introduced two of the students Y-W sent to the 2022 CREA Camp: Bibiana Davisson and Hunter Molt. Davisson and Molt spoke about their time at camp. Molt introduced the student that Y-W sent on the Washington D.C. Youth Tour: Johana Anderson.

2023 CREA CAMP DELEGATES

Andy Molt announced the delegates for the 2023 CREA camp and Washington D.C. Youth Tour. They are London Breese, Lone Star; Ryan McCaffrey, Akron; Molly Porteus, Akron; Claire Gdanitz, Wray; Samantha Heath, Idalia.

2023 SCHOLARSHIP WINNERS

Andy Molt announced the 2023 Scholarship winners. They are:

Y-W ELECTRIC - 4-YEAR \$1,000 - RENEWABLE

LYNDSEY MEKELBURG - YUMA SCHOOL
SYVANNAH MCGUIRE - AKRON SCHOOL

Y-W ELECTRIC - \$1,000 - ONE TIME

CORA SCHROCK - ARICKAREE SCHOOL
FOREST RUTLEDGE - YUMA SCHOOL
JACKSON BLEDSOE - WRAY SCHOOL
HAILEY STIVERS - OTIS SCHOOL
COLIN HARDWICK - IDALIA SCHOOL
LEA RICHARDSON - YUMA SCHOOL
JACKSON FILLA - AKRON SCHOOL

BASIN ELECTRIC - \$1,000

JOHANNA ANDERSON - WRAY SCHOOL

Y-W ELECTRIC - \$500 - ONE TIME

OLIVIA CULLEN - YUMA SCHOOL
BENJAMIN REBIS - WRAY SCHOOL
EDUARDO ESTRADA VASQUEZ - IDALIA SCHOOL
REBECCA GARDNER - OTIS SCHOOL
CADE RICHARDS - IDALIA SCHOOL
CAMDEN RIGGLEMAN - WRAY SCHOOL
LARISSA SALMANS - WRAY SCHOOL
KYE TOWNS - IDALIA SCHOOL
CLINTON WALKER - AKRON SCHOOL
DAKOTA WEATHERLY - WRAY SCHOOL
PEYTON WELLS - OTIS SCHOOL
JENNA WIESER - IDALIA SCHOOL
JACK WILLEKE - OTIS SCHOOL
LOGAN WRIGHT - ARICKAREE SCHOOL

TRI-STATE G & T - \$500

HUNTER MOLT - AKRON SCHOOL
KENDALL VELDER - AKRON SCHOOL

BASIN ELECTRIC EMPLOYEE POOL DELEGATE

CINNAMON COOK - UNIVERSITY OF WYOMING

LINE TECH - \$1,000

LOGAN BRYER - LIBERTY SCHOOL
LOGAN CORDELL - ARICKAREE SCHOOL
BRYCE SHAFFER - ARICKAREE SCHOOL

CONTINUING EDUCATION - \$500

CINNAMON COOK - UNIVERSITY OF WYOMING
BRANDY HENRICKSON - WICHITA STATE
KYRA LOUTENSOCK - BYU
DAVID MCCAFFREY - MURRAY STATE
NADALYN POSS - BLACK HILLS STATE
TYSON SCHNEIDER - WTA&M

PRESIDENT'S REPORT

President Joneal Young gave the following report:

Welcome to all Consumers, past and present Board Members, Manager, and past and present Employees.

Thank you all for attending today.

During the past year, Y-W Electric and the board has been faced with many different issues each month. Some are positive and good, and others are not so positive.

I will mention a few:

First: the positive side:

1. The hot weather we have experienced for the last 2 years has increased the use of electricity from the irrigation. This has created good margins allowing the board to put the those margins into deferred accounts to offset future expenses. The board is trying to keep the monthly electric bill as low as possible.

Trent will have more on this.

2. In the past year, there has been minimal storm damage. This has helped to keep expenses down and the lights on.

3. Black Shirt Feeders will be building a new feedlot east of Laird and Y-W will serve this electric load.

On the negative side:

1. Tri State is the Cooperative from which Y-W buys the electricity that comes to you the consumer at your houses, your farms, your irrigation, and your businesses. Some Cooperatives are exploring the possibility of getting their electricity from other suppliers. This will put a financial burden on the remaining Cooperatives who choose to be supplied from Tri State.

2. Tri State itself is evaluating the situation as well, and looking at the possible ramifications of the Withdrawing Coops. This situation is an ongoing problem for Tri State and Y-W.

Duane Highley will talk more about Tri-State in his report.

3. The push for Renewable Energy to be put in place so fast and closing the coal mines has caused earlier depreciation expenses.

This, combined with the cost to recover the coal mine sites, is causing an unnecessary financial burden to power suppliers.

Supply Chain

We have all been affected by the inflation and volatility surrounding us in the post-pandemic economy.

The products and services we use often take longer to get and are increasingly more expensive.

The adage of Fast, Good and Cheap.....has been a given standard for many years.

Post pandemic...the standard seems to have changed from Fast, Good and Cheap...to...You Can't Have Any. You can't have it fast, it won't be good, and it definitely won't be cheap.

Y-W is also being affected by increasing costs and significant delays in acquiring the equipment necessary to provide highly reliable power.

Here a few examples of the pricing and availability of power supply equipment Pre-pandemic and present day.

Young gave 5 examples.

The obvious question is: What's your cooperative doing about this?

Answer:

Your Cooperative is:

1. raising inventory levels,
2. has partnered with our equipment supply cooperative, Western United Electric Supply Corporation to hold additional YW inventory.

YW is part of a national rural electric cooperative network, the National Rural Electric Cooperative Association or NRECA. NRECA is actively engaging with legislators and regulators in Washington DC to highlight and address the critical problem of not having access to power supply equipment in a reasonable timeframe.

Presently, NRECA is working to have President Biden prioritize steel production in the US.

Ready access to steel and raw materials is key for constructing the equipment needed to keep the lights on during a period of unprecedented demand for electricity.

Another issue that Y-W is facing is the ability to replace equipment. As many of you know, equipment DOES wear out. Y-W prides itself in providing an excellent level of service, and that is what you as a consumer expect. To be able to do this, the equipment that we use on a daily/weekly basis MUST be in good working order. From time to time that means replacements must be purchased.

This is the situation: If Y-W needs to replace a working pickup equipped with boom and bucket. The purchase is approved when doing the Capitol Budget. Then a pickup is ordered but it may not be delivered for 2-3 years. YW purchased a small bucket truck in 2020 for \$128,500. Today the same truck costs \$198,600.

The larger digger trucks that are used to dig holes, place poles in the ground, and string wire. This truck must be paid for when ordered with delivery times of 5 years in the future. We are paying for but not utilizing the truck for 4-5 years.

In 2021 purchased a large bucket truck for \$269,600. Today a large bucket truck costs \$445,100.

Upon delivery, the previously owned truck is close to needing replaced, and we start the process all over again.

This Y-W Board and Management are doing our best to provide the optimum service and stability for our consumers. Thank you for allowing us to serve in this capacity.

Again, I want to thank you for attending and being interested in your cooperative, Y-W Electric.

MANAGER'S REPORT

Manager Loutensock presented the following report with the aid of a slide show:

The financial information that is being presented this evening is in your 2023 Annual Report at each of your tables and is for the year ending December 31, 2022.

Balance Sheet

The balance sheet is a brief summary showing what your cooperative owns and what it owes.

At the end of 2022 the assets of Y-W were \$133,147,127. This is what your cooperative owns.

What we owe is shown on the balance sheet and is called liabilities. What we owe is titled long term debt, member investment, and current and accrued liabilities.

Long term debt is the money that is borrowed from the federal government through the RUS program and money that is borrowed from financial cooperatives in which Y-W is a member.

Our long-term debt is \$58,009,676.

The member investment is the money that is owed to you, the members and consumers of Y-W. This represents capital credits that are invested in Y-W by you and past members. These investments will be returned as provided for within the by-laws of your association. They amount to \$63,956,956.

The current and accrued liabilities are \$11,180,495. (Emp PTO, AP, Cons Deposits, Taxes, Deferred Revenue)

The total liabilities are equal to the total assets.

2022 Revenue

This slide shows where the money came from for the day-to-day operation of Y-W.

The irrigation consumers paid almost twenty-six million dollars towards the 2022 operating costs of Y-W. This is over half of the total revenue received.

Y-W's residential consumers provided 14.5% of our revenue.

Commercial sales amounted to \$15,592,342 or 31.4%.

Other electric revenue was 1.2% of the total revenue and was \$597,827

(400k deferred rev, street lighting, EV charging station, deposits, late fees, etc).

Non-electric revenue was 0.7% of the total revenue.

(CC in CFC, Cobank, Federated and related organizations 265k
Interest 68k)

The total revenue received is \$49,592,757.

2022 Operating Expenses

This slide shows the expense side of Y-W's operations. This is how the money received by your cooperative is spent to provide your electrical service.

70.6% was spent to purchase the electricity you used. This was \$32,480,288.

(Cost of Power, transmission expense less property taxes)

The operation and maintenance total was just under 7.5 million dollars and was 16.3% of the operating expense.

(distribution exp less property taxes, consumer exp, A&G less property taxes)

The next three expenses, depreciation, property taxes, and interest, amounted to 13.1% of the operating costs.

Depreciation of the facilities of your cooperative amounted to \$3,620,551. Property taxes paid were just over \$700,000 and the interest expense of Y-W was almost \$1.7 million dollars.

The total cost of providing electricity to the members of YW was \$45,992,200.

2022 Margins

The difference between the revenue received and the expense of operating Y-W is called the margin. The margin is allocated to the membership as capital credits and will be paid to you in the future.

This slide shows where the margin for 2022 came from and the total amount that will be allocated to Y-W's members.

Y-W's operating margin from the sale of electricity was \$1,868,283.

\$67,166 dollars was earned from interest and other non-electric sales.

Other capital credits and patronage dividends received by Y-W were \$265,105.

The total margin from 2022 was \$2,200,554.

Capital Credit History

This slide shows the amount of capital credits that were approved for refund in 2022, for the last 10 years and the total authorized retirement since 1959.

These amounts include the capital credits that were paid to estates as well as the amount paid as general retirements. To-date the total refunded to past Y-W consumers has amounted to over \$40 million dollars.

YW has refunded over \$17.6 million dollars to the membership since 2013. This is money that you, as members of a cooperative, receive.

The retirement of capital credits is tangible evidence of the members' ownership in the cooperative and demonstrates the difference between electric cooperatives and other types of utilities.

2022 System Improvements

Each year Y-W completes power system upgrades and modifications as part of a 4-year Construction Work Plan.

Interestingly, in the past 74 years, since the 1st year of electric operations, YW has added 7,896 net members and 3,878 net miles of power line.

For the year 2022, Y-W completed several distribution line rebuilding projects.

The Y-W Electric power system was largely constructed in the late 1960s, throughout the 1970s and into the early 1980s as a result of the electrification of irrigation wells.

To address an aging power system, Y-W annually invests in rebuild and replacement projects to reasonably assure high reliability and minimal outages.

This past year:

19.7 miles of three-phase overhead powerline were upgraded to larger conductor at a cost of \$1,550,537.

25.7 miles of single-phase overhead powerline were rebuilt with larger conductor at a cost of \$1,077,654.

And 3.1 miles of underground powerline were replaced due to end-of-life at a cost of \$258,658.

A 2nd avenue Y-W uses to keep the power system functioning well is annual power pole inspections and replacements.

YW's overhead power system consists of 69,410 power poles. Each power pole in the YW system will be tested and inspected approximately every 10 years for decay, rot and signs of damage.

10,168 power poles were tested in 2022 at a cost of \$87,639.

220 deficient poles were replaced with 241 new poles at a cost of \$879,735

This is a low-cost approach to keeping the system operating well, while keeping the system safe for the membership.

In 2022 Y-W installed 50 new electric services and retired 39 discontinued services.

One of these new services was for ONEOK, Inc. YW constructed the new Lone Star substation 10 miles northwest of Yuma for a ONEOK pipeline pumping station which was energized in November 2022. This facility pumps Natural Gas Liquids (NGLs) and is one of several on the Elk Creek Pipeline that travels approximately 900 miles from Sidney, Montana to Bushton, KS. This facility regularly pulls a demand near 5 MW. All facilities were funded 100% by ONEOK.

Power Supply Challenges

The year 2022 was a financially healthy year for YW and at the same time YW was able to invest back into the power system to supply the membership highly reliable power in the quantity you want and at the time that you want it. The years following the pandemic continue to challenge the electric utility industry's efforts in supplying your power. The main issues contributing to the challenges in supplying reliable electricity are:

- 1) Ever increasing demand for electricity as more sectors of the economy are electrified.
- 2) Decreasing electricity supply due to the pressures to retire conventional power plants faster than dependable replacement generation can be added.
- 3) Regulatory permitting delays for Generation and Transmission companies that hinder generation and transmission infrastructure from being built.
- 4) Supply chain issues.
- 5) Fuel delivery problems related to the availability of natural gas and coal.
- 6) New regulations that intensify the problems issues 1-5. As examples:
 - a. Recently proposed Environmental Protection Agency rules that seek to restrict electric utility greenhouse gas emissions, which may:
 - i. Limit the hours conventional power plants can run or
 - ii. Make it uneconomical for these power plants to continue operation.
 - b. Recently proposed Dept of Energy rule to amend energy conservation standards for distribution transformers which will:
 - i. Take the focus off of meeting present demand.
 - ii. Lead to lower output of transformers.
 - iii. Increase dependence on foreign countries to supply critical power supply equipment.

“Policymakers must approach national energy policy with affordability and reliability at the core while also balancing aspiration with reality. They also must recognize the need for time, technology development and new transmission infrastructure before taking our nation down an energy path that prioritizes speed over practicality.” National Rural Electric Coop Assn website

YW Finances

Traditionally, our power has been generated in large part from fossil fuels and in particular coal. As Colorado moves forward with Greenhouse Gas Reduction targets as set by the state legislature, the way that electric power is generated is changing, from traditional coal-based generation to lower emission sources, primarily wind and solar generation. Add to that an increasing level of local generation and what we end up with from a financial perspective is a cost structure that has changed and is continuing to change over time.

YW regularly reviews the costs required to serve electric power to the membership and conducts financial forecasts to prepare rates that recover the costs to provide electric service in the various rates by which consumer bills are calculated. In January of 2022, financial forecasts and the costs to provide electric service were analyzed to assess Association’s revenues and how they were being collected from the membership. The analysis demonstrated that the total revenues for 2022 were expected to be sufficient, but adjustments were needed to align the collections of revenues with the costs to provide service. As a result, the residential and small commercial rates were adjusted which increased the service charge and lowered the energy charges. The overall effect of the adjustments was a 0% overall revenue increase to YW, but the revenues collected were more closely aligned with the costs to provide service. This adjustment meant that some bills would decrease slightly, some stay essentially the same and some would increase slightly.

As we move forward and look at 2024, YW business and operational cost increases are expected to continue. The Board of Directors will be reviewing updated cost of service results and long-term financial forecasts to set rates in proportion to expected cost increases. This Fall, YW staff will be providing the membership with specific information about rates for 2024.

Deferred Revenue

Deferred revenue is a financial accounting tool to moderate adverse impacts due to the uncertainty and risk in the present-day economy. The YW Board of Directors are keenly aware of these challenges and are positioning your Cooperative to prepare for the future and remain financially healthy. Revenues during financially strong years can be “deferred” and used to assist in insulating your Cooperative from industry risks and uncertainty due to:

- an unpredictable supply chain,
- member unrest at the Generation & Transmission level,
- early plant retirements,
- increasingly aggressive legislative and regulatory oversight
- water uncertainty with irrigation and the Republican River Compact

These factors contribute to unpredictability in the Association's expenses. For reasons like these the YW Board of Directors has established a deferred revenue account and funded it with margins from 2021 and 2022 margins totaling \$3 million dollars, to help moderate risk and unpredictability and help reduce rate adjustments.

Summer Work Hours

In March 2022, the YW Board of Directors approved a modification of the traditional 5-day M-F work week. During the Summer, beginning with the commencement of Daylight Savings time the work week is M-Th 7:00 am to 5:30 pm. When Daylight Savings time ends, the work week reverts back to winter hours M-F 8:00 am - 5:00 pm.

The intent of the change to 4-10 hr. days during the summer was to:

- 1) lower labor costs spent during travel time to and from work sites thereby increasing the number of productive hours spent at the worksite.
- 2) The 4-10 hr. work week would lower the associated fleet fuel expenses by running the vehicles 4 days a week instead of 5.
- 3) The miles driven each week are reduced thus extending the life of the fleet.

As an example, here is a graph of the fuel expense for the last five years. Note the March - October 2022 fuel reductions in our first year of a 4-10 hr. work week.

TRI-STATE REPORT

Duane Highley, Tri-State Generation & Transmission Association, Inc.'s CEO, reviewed Tri-State's corporate structure and related a few ways Tri-State fulfills its mission of providing its members with reliable, affordable, and responsible energy. Highley reported that Tri-State is increasing its rate by 6.6% in 2024.

DIRECTOR ELECTION

Joneal Young reported the results of the director election. The following candidates were announced as winners of their elections:

Freeman Morris	District 3
Joneal Young	District 6
Larry Hill	District 7

DRAWING - GRAND PRIZE

Manager Loutensock explained the rules for the \$5,000.00 grand prize. The name of the winner will be selected from the entire membership. If that member is present, they will be the winner of the grand prize. If that member is not present, a second name will be selected from the entire membership. If that member is present, they will be the winner. If

that member is not present, the grand prize will not be awarded. Loutensock also explained the rules for the \$250.00 and \$500.00 door prizes. The names of two members attending the meeting will be randomly selected from a list containing names of all members that registered at the meeting. The first name selected will win the \$250.00 prize and the second person selected will win the \$500.00 prize.

PRIZE DRAWINGS

Door prizes were awarded, including prizes of \$250 and \$500. Francis Renzelman was selected for the \$5,000.00 prize. Renzelman was not present, so the second name was selected. Clay Cooper was the second member. Cooper was not present, so the prize was not awarded.

APPROVAL OF REPORTS

It was properly moved, seconded, and carried that the members accept and approve the reports presented at the meeting and approve the actions of the Board of Directors for the year 2022.

ADJOURNMENT

President Young called for any other business that should come before the meeting, and, hearing none, ruled that the meeting be adjourned.

President

Secretary