



# Y-W ELECTRIC ASSOCIATION, INC.

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BOX Y • 250 MAIN AVENUE • AKRON • COLORADO 80720  
(970) 345-2291 • 800-660-2291 • Fax (970) 345-2154 • [www.ywelectric.coop](http://www.ywelectric.coop)

## Presidents Report

At the April Board Meeting the directors chose to cancel the Annual Meeting of members of Y-W Electric Association, Inc., originally scheduled for June 6, 2020. It was cancelled due to COVID-19 and the prohibition of gatherings of ten or more persons. Y-W is recognizing its 75<sup>th</sup> Anniversary this year and had planned to celebrate this milestone and showcase the completed Headquarters building at this Annual Meeting. We look forward to the 2021 Annual Meeting and the opportunity to celebrate then. The following report highlights a few of the challenges and accomplishments the Board and Management have been working on.

### Construction Work Plan

Construction Work Plans are part of Long-Range Plans which Electric Coops are required to have to be borrowers of RUS. Y-W uses the Rural Utility Service, which is a division of the U.S. Department of Ag, as a lender because of their lower interest rates. The long-range plan estimates the electric system's future needs based on its approved load forecast, and proposes a schedule for system upgrades, new construction and retirements to implement the plan. Y-W uses a third-party engineering consultant to prepare this study and when completed, the long-range plan provides an engineering and management tool that supplies guidelines for operating, maintaining and expanding Y-W's system over the next 10 to 20 years.

The purpose of this 4-year Construction Work Plan, is to document the engineering analysis and summarize proposed construction needed to ensure reliable electrical service for Y-W Electric consumers from 2019 through 2022. Evaluation of the system through projected peak loading helps to troubleshoot and highlight deficiencies. The data is then evaluated, and cost-effective solutions are then recommended to the board as part of the CWP. The total expenditures for the proposed 2019-2022 CWP are estimated to be \$25,993,483 for the distribution system and \$5,756,319 for the transmission system.

Based upon historic trends and input from Y-W Electric management, it is projected that there will be 8694 consumers in the year 2022. By tabulating the number of consumers in each category over the past 7 years and trending the data forward 4 years, Y-W showed a slight decline in consumers for this time period. Completion of this Construction Work Plan will help ensure that adequate and dependable service continues to be provided to all active consumers. The 2019-2022 Construction Work Plan, for the estimated amount of \$31,749,802, was approved in June 2019. It is financed through RUS with a 30-year fixed note and currently interest rates are at an all-time historical low. Loan funds are available to Y-W as needed to reimburse completed construction projects.



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## Advanced Metering Infrastructure or AMI

Y-W started the AMI system in 2016 and installation was completed in May of 2020. Countless hours of engineering, planning and construction were required. This has resulted in a system working as it was engineered to do, and delivering the important information needed to monitor and maintain our system.

The projected 2016 cost of the system was \$3,970,451. The current 2020 cost is \$3,665,839 with a few minor outstanding costs to complete the project. Y-W has a total of 21 AMI tower radios which form a loop around Y-W's territory. Their purpose is to collect the data from the meters and send it to the Akron headquarters where it is processed. Our system and Highline Electric's are intertwined, adding more dependability to our systems. This is another example of a shared agreement between Y-W and Highline that results in cost savings for both co-ops.

The goal of an AMI system is to provide utility companies with near real time data about power consumption and allow members to make informed choices about energy usage. Savings are realized from AMI through better trouble shooting and more accurate information for rate studies. Using the SmartHub app, consumers can view their meters with daily updates allowing them to track usage amounts and trends.

## Headquarters Building Update

Y-W Electric began operation in 1948 with 978 members and 72 miles of line. The original office was built in 1954 and added onto in 1974. Beginning in 2015, the board and management began the process of selecting an architectural firm to produce a report on options and estimated costs to renovate or build a new headquarters site. In the spring of 2016 Y-W purchased the 21<sup>st</sup> Century / John Deere location and more in-depth planning began. July of 2018 marked the culmination of 3 years of planning and design with the signing of contracts with Guernsey, Engineers, Architects, and Consultants from Oklahoma City and Iron Mike Construction from Denver. The ground-breaking ceremony was held on August 26, 2018. Iron Mike Construction completed construction and the final payment for their services was made February 20, 2020. This represents the largest single capital expenditure in Y-W's history. Final costs of the project are as follows:

Iron Mike Construction \$7,159,532

Guernsey \$601,617

Y-W management presented to the board for approval a list of additional items needed to be completed before moving. Those items included concrete floor preparation, warehouse shelving, crushed asphalt for the yard, driveway and parking lot paving, set up of battery charging and storage room, oil processing room, native grass seeding, moving of the generator from the existing HQ, and the installation of the after-hours drop box. In addition, the board has yet to plan the Pole Yard concrete transformer pad, construction of Mobile Substation building and Wire Storage building.



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Stockmens Bank, Colorado, contacted Y-W Electric regarding the purchase of the city block where the headquarters is currently located. During a Special Board meeting on December 3, 2019 the Board approved the sale of the property to Stockmens Bank.

Through the construction phase there have been many challenges, oversights, negotiations and “head scratchers”. Management has done an excellent job navigating these tasks and keeping the Board informed. Today Y-W serves approximately 3700 members, over 8800 meters, 4000 miles of line and employs 48 people. We believe we have constructed a facility which will provide a safe, functional, and efficient working environment for our employees; and to our members and community a headquarters which will provide many years of service.

## Y-W Strategic Planning

Beacon Strategic Planning and Facilitation Services along with Y-W Board of Directors, General Manager, Key Staff and Board Attorney participated in 2 half-day Strategic Planning Session February 4-5, 2020 at the Y-W Headquarters. A survey and SWOT assessment were completed in advance of the meeting to help identify a range of key strategic initiatives to focus on over the next 2-3 years to assist Y-W in serving members needs in the next 3-10 years. The top four priority topics were determined and ranked as follows:

1. Current and Effective Rate Design Strategy; Evaluation of Future Rates and Design
2. Stranded Costs and Renewables Investments; Energy Efficiency and Renewables Strategy
3. Balancing the Cost of Equity and Debt
4. Member Engagement and Communications

Other topics discussed at length during the session included:

- Terms of the wholesale power contract
- Technology and Innovation utilization
- Utilization of Social Media

At the conclusion of the Strategic Planning Session 3 primary topics were addressed and policy or policy guidance was discussed to help direct and manage the co-op going forward. They are as follows:

1. Receive the Cost of Service Study and complete the Rate Design Process
2. Draft new Equity Policy, establishing a minimum 45% target equity level
3. Enhance and Expand Communications efforts for all Y-W stakeholders

Beacon Strategic Planning for Electric Cooperatives is a service offered through CoBank. Strategic Planning is important because it identifies the connection between Y-W’s mission, the collective vision of what Y-W needs to be for the members in the future, and the strategy the co-op might need to change to deliver on that vision.



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## **Board Retirement**

Jim Soehner has retired from the Y-W Board after 36 years of service and 12 terms. He served as Y-W's representative on the Tri-State Board of Directors for 29 years, retiring from their Board in May 2019. Jim and his wife, Judy, have been members of Y-W for 51 years.

Thank you, Jim, for your service, leadership and mentorship to Y-W and to all the Directors you have served with. You will truly be missed. Congratulations and Good Luck with retirement!

The Board meets the 3<sup>rd</sup> Tuesday of each month. If you have questions concerning Y-W Electric, please contact your Directors or Management.

Regards,

Roger Schenk  
Board President



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## Manager's Report

I hope that you and your loved ones are healthy and happy in the wake of the many challenges presented to each of us due to the effects of the coronavirus as it touches seemingly every aspect of our lives. Y-W Electric Association, Inc. (YW) has been active in 2019 in our efforts to bring you reliable, affordable and responsible power so you and your families have at least one less thing to worry about while navigating unprecedented times. I can assure that your elected Board of Directors care deeply about guiding your electric cooperative to be financially sound, and an integral part of our communities.

This year for the first year in many years, YW did not hold an annual meeting. In an effort to be good citizens and support our government leaders and medical experts, the YW Board of Directors chose to forego meeting together in person. The Board and staff at YW had planned on celebrating YW's 75<sup>th</sup> year of incorporation with the membership in a newly completed headquarters building at 26862 Hwy 34 on the east side of Akron. As we prepare to move from the present headquarters building built in 1954, we do so with a nostalgic eye on the past recognizing that we stand tall on the shoulders of those that have come before and built YW's legacy. At a time in the energy industry with so many diverse opinions about energy supply options the Directors and present staff must look to the future and be active and vocal in order to promote energy supply options that are beneficial to YW for a successful transition into the newly legislated energy industry in Colorado.

I am happy to report that YW enjoyed a fiscally successful year for the year ending 2019. Please refer to the accompanying financial numbers.

### **Balance Sheet**

The balance sheet is a brief summary showing what your cooperative owns and what it owes. At the end of 2019 the assets of Y-W were \$128,189,451 and represents what YW owns. What YW owes is represented on the balance sheet as liabilities. Liabilities consist of 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 the financial cooperatives CoBank and National Rural Utilities Cooperative Finance Corporation. The YW long term debt is \$43,859,099. The member investment is the money that is owed to you, the members and consumers of YW. This represents capital credits that are invested in YW by you and past members. These investments will be returned to the members as provided for within the by-laws of your cooperative. They amount to \$62,345,043. The current and accrued liabilities are \$21,985,309. The total liabilities are equal to the total assets.

### **Statement of Revenue**

Members are divided into various rate classes based on their commonalities in energy usage. The irrigation consumers paid \$21,795,086 towards the 2019 operating costs of YW representing 48.5% of the total revenue received. YW's residential consumers provided \$6,809,767 or 15.2% of YW's annual revenue. Commercial sales amounted to \$14,436,875 representing 32.1%. Other electric revenue was 0.5% of the total revenue and was \$210,094. Non-electric revenue was 1.2% or \$555,131. Our share of Tri-State Generation & Transmission, Inc. (TSGT) capital credits for 2019 is \$1,132,463. This is 2.5%. It is



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not cash at this time, but it will be returned to YW in the future. These capital credits will be returned to you as YW retires capital credits. Total revenue received was \$44,939,416.

## **Statement of Expenses**

The Statement of Expenses details how the money received by your cooperative is spent to provide your electrical service. 70.2% of the total expenditures were spent to purchase the electricity you used. This was \$29,797,706. The operation and maintenance total was \$6,831,060, equaling 16.1% of the operating expense. The next three expense groups depreciation, property taxes, and interest, amounted to \$5,809,392 or 13.7% of the operating costs. Depreciation of the facilities of YW amounted to \$2,991,046. \$817,427 in property taxes were paid by YW in 2019 and the interest expense on long term debt was \$2,000,919. The total cost of providing the YW membership electrical service was \$42,438,158.

## **Margins**

The difference between the revenue received and the expense of operating YW is called the margin. The margin is allocated to the membership as capital credits and will be paid to you in the future. For the year 2019, YW's operating margin from the sale of electricity was \$813,660. Interest and other non-electric sales earned \$358,898. Capital credits that were allocated to YW from TSGT, YW's wholesale power supplier, amounted to \$1,132,463. Other capital credits and patronage dividends received by YW were \$196,233. The total margin in 2019 was \$2,501,254.

## **Capital Credits**

Over the preceding 10 years YW has refunded to you the YW members a total of \$18,385,780. This is money that you, as members of a cooperative, receive. Since May 24, 1945 when YW was incorporated, a total of \$32,629,159 has been returned to the membership. Retiring capital credits provides tangible evidence of the members' ownership in the cooperative and demonstrates the difference between electric cooperatives and other types of utilities.

In summary, YW is in a strong financial condition, exceeding all lender and mortgage covenants. Your Board of Directors have positioned YW to meet the challenges and take advantage of opportunities available as the energy industry transitions to previously non-conventional power supply.

All of us here at YW wish you, our members, continued health, increased fortune and peace of mind in these challenging unprecedented times.



## 2019 ANNUAL REPORTS



### BALANCE SHEET - December 31, 2019

What We Own.....		What We Owe.....	
Property Owned	124,024,733	Borrowed from RUS	17,047,714
Less Depreciation Provision	<u>(37,804,908)</u>	Borrowed from CFC	2,946,481
Present Value of System	86,219,825	Borrowed from CoBank	21,628,904
Reserves & Investments	4,029,536	Repayment	1,836,000
Investments in Assoc. Org.	33,663,512	RUS Zero Interest Grant	400,000
Accounts Receivable, Net	888,275	Current & Accrued Liabilities	<u>21,985,309</u>
Materials & Supplies	1,930,998	Total Liabilities	65,844,408
Prepaid Expenses & Other			
Deferred Debits	<u>1,457,305</u>		
		Your Investment.....	
		Patronage Capital Credits	57,645,131
		Donated Capital	<u>4,699,912</u>
		Total Equity	<u>62,345,043</u>
Total Assets:	128,189,451	Total Liabilities & Equity:	128,189,451

### RECORD OF GROWTH

	<u>2004</u>	<u>2009</u>	<u>2014</u>	<u>2019</u>
Plant Investment	\$ 66,237,565	\$ 80,338,538	\$ 95,767,763	\$ 124,024,733
Average # of Consumers	8,463	8,824	8,933	8,855
Total kWh Sold	329,020,449	301,356,716	310,814,733	340,296,744
Cost of Power	16,363,722	23,825,775	25,168,152	29,797,706
Average Cost per kWh Sold	0.0497	0.0791	0.0810	0.0876
Miles of Line in Service	4,105	4,023	4,000	3,969
Electric Revenue Billed	23,162,482	32,631,522	37,327,292	43,251,822
Avg Revenue per kWh Sold	0.0704	0.1083	0.1201	0.1271

### PATRONAGE CAPITAL

Accrued 1959-2019	90,219,315
Refunded to Dec 2018	(30,615,508)
Refunded During 2019	(2,013,651)
DBS Margins Held	<u>(2,686,719)</u>
Balance	54,903,437



### STATEMENT OF REVENUE & EXPENSES

December 31, 2019

<b>Electric Revenue</b>	43,251,822
Less:	
Cost of Power	(29,848,481)
Operating & Maintenance	(4,555,533)
General Administration	(2,201,342)
Consumer Accounting & Info	(840,837)
Depreciation	(2,991,046)
Interest & Other	<u>(2,000,919)</u>
<b>Operating Margin</b>	813,664
Non Operating Margins	358,898
G & T Capital Credits	1,132,463
Capital Credits from Assoc Coops	<u>196,233</u>
<b>Total Margins</b>	2,501,258

# TRI-STATE 2019 YEAR IN REVIEW



## An updated Mission Statement highlights responsibility

2019 was a year of member-led change at Tri-State, with the board of directors updating Tri-State's [mission statement](#) with the word *responsible* to read "Tri-State's mission is to provide our member systems a reliable, affordable and responsible supply of electricity in accordance with cooperative principles."

## Responsible Energy Plan announced, transforming Tri-State

- In July 2019, Tri-State began developing its [Responsible Energy Plan](#), with a goal to transition to a cleaner, lower-emission energy portfolio, ensure reliability and increase member flexibility while striving to lower wholesale rates.
- Tri-State engaged its board and members, and had a collaborative advisory process with the Center for the New Energy Economy, resulting in the January 2020 plan announcement, including:
  - ◆ **Reducing emissions** – Tri-State will [eliminate 100% of its emissions from coal](#) in New Mexico by the end of 2020, and in Colorado by 2030.
  - ◆ **Increasing clean energy** – By 2024, Tri-State will bring more than 1,000 megawatts of [wind and solar resources](#) online, meaning 50% of the energy our cooperative's members consume will come from renewables. Tri-State's renewable resources will power the equivalent of 850,000 average rural homes.
  - ◆ **Increasing member flexibility** – Our members worked together in a Contract Committee to [increase contract flexibility](#) with more options for member self-supply of power increased local renewable generation.
  - ◆ **Extending the benefits of a clean grid** – Working with its members, Tri-State will [help consumers save money and reduce emissions](#) through beneficial electrification efforts, including expanding electric vehicle infrastructure.
  - ◆ **Committing to community and employees** – We're [committed to supporting employee and community transition](#) as we retire coal facilities.

## Significant milestones

- **Duane Highley welcomed as the association's CEO** – In April 2019, [Highley succeeded Mike McInnes](#), who retired in April after a long and successful career at Plains Electric and Tri-State.
- **Wholesale rates regulated by the FERC** – To ensure uniform rate regulation in all states, Tri-State's board acted to place the Tri-State's rates under the [jurisdiction](#) of the Federal Energy Regulatory Commission.
- **Tri-State joins energy imbalance service** – To reduce costs, increase efficiencies and help integrate renewable resources, Tri-State joined the Southwest Power Pool's [Western Energy Imbalance Service](#).
- **Coal power plant retired** – Tri-State retired the 100-megawatt Nucla Generating Station in western Colorado.

## Financial Highlights

- **Stable rates continue** – With its increased use of low-cost renewable resources and a strong focus on cost management, Tri-State [wholesale rates](#) have remained flat for four years, with no change in 2020.
- **Returns cash to members** – In 2019 Tri-State returned [\\$30 million in patronage capital](#) to its members. In just the past four years, Tri-State has returned a total of \$100 million to its members.
- **Maintained strong financial position** – Tri-State's operating margins, sales to members and assets all increased in 2019, and the association met all of its financial goals. For more, view our [online](#) Annual Report.

## Operational Highlights

- **Safety is a priority** – Tri-State's safety record remained better than the national average, with 14 National Safety Council awards.
- **Supporting members on energy efficiency** – Tri-State provided more than \$3 million in [energy efficiency](#) rebates, and 40 electric vehicle charging rebates and one bus rebate.
- **New peak demand reached** – Tri-State reached an all-time record peak demand of 3,083 megawatts.
- **Ensuring reliability** – Tri-State invested \$144 million in capital additions and improvements to increase transmission system reliability and capacity, and completed a number of projects at its generation facilities.