

Presidents Report

The Y-W Board of Directors chose to cancel the 76th Annual Meeting of members of Y-W Electric Association, Inc. It was cancelled due to COVID-19 and the prohibition of gatherings of ten or more persons. We look forward to the 2022 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.

Headquarters Building Update

Y-W completed the sale of the Headquarters building on Main Street in Akron to Stockmens Bank of Colorado Springs on August 21, 2020. The employees completed the transition out of the old Headquarters to the new Headquarters the weekend of August 21st through the 23rd. Construction projects yet to be completed include the Pole Yard concrete transformer pad and the construction of the Mobile Substation and Wire Storage buildings. No time frame has been set for these items.

A one-year Warranty on the building and grounds was issued at completion by Iron Mike Construction. Management and staff have worked diligently to identify those issues that needed attention and have or continue to have them fixed.

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.

Cost of Service Study

A Cost-of-Service study is one tool that Electric Distribution Coops use for evaluating and establishing utility rates among their membership. The objective of this study is to determine as precisely as possible what it costs the cooperative to provide electricity to a rate class or member over the course of a test year. The secondary objective is to determine how costs will be allocated to and recovered from each rate class.

A cooperative's rate structure should be designed to collect adequate revenue from the rate classes to meet the financial covenants and equity requirements of the Coop. This includes investments in construction work plans, equipment, facilities, and employees to allow Y-W to maintain a reliable energy grid.

Y-W worked with Guernsey, a consulting, engineering, and architectural firm located in Oklahoma City, to prepare the Cost-of-Service Study. Rebecca Payne, Managing Consultant, presented this study to the Board during the October and November Board meetings. Some of the objectives that the Board looked at during the study were:

- Ensuring that rates are fair and equitable and are adequate to maintain a solid financial position.
- Reviewing the cost of service for each rate class, recognizing that each rate class has unique load and service characteristics that impact cost.

- Determining how and why costs are incurred in each rate class.
- Determining how much energy members use by rate class, when they use it, and how their usage patterns influence the cost to provide them with electric service.
- Identifying costs associated with future projects.
- Minimizing subsidization between rate classes.

The results of the Cost-of-Service Study and the identified present and future revenue requirements were used to develop a 10-year Financial Forecast to aid the Cooperative in planning and preparing for long term financial stability.

The Board approved a 2% average rate increase in conjunction with the approval of the 2021 Operating Budget.

Colorado Public Utilities Commission Update

In August of 2020 Y-W drafted a letter to the membership asking for support on an issue that would have had direct impact on our electric rates as members of Y-W Electric Association, Inc. (Y-W). Coop members were asked to sign and send the enclosed letter, or one of your own to the Colorado Public Utilities Commission (CPUC) to express your disappointment of how the CPUC was handling this matter.

The issue centers around 2 distribution coops who want to terminate their Wholesale Electric Service Contract (WESC) with Tri-State Generation & Transmission, Inc. (Tri-State), our wholesale electric service provider. These coops along with Y-W, freely signed long-term power contracts with Tri-State to provide wholesale electric service through 2050. By executing the contracts, the coops agreed to share the costs of power supply with Tri-State's other utility members through the terms of their WESC. The two coops requested that Tri-State staff determine a cost for them to exit their WESC. When the Tri-State Board approved the cost that the Tri-State staff had calculated to be fair to all cooperative members, the coops were dissatisfied and in September 2019, filed complaints asking the CPUC to set a cost to terminate their contracts. They chose to pursue a means through the CPUC because they felt they would receive a more favorable contract buy-out cost determination. An Appellate Law Judge ruled that the CPUC had the authority to make this decision and ruled on a substantially lower buy-out cost than approved by the Tri-State Board of Directors. This decision could have shifted more than \$1 billion in costs to Tri-State's members' electricity bills in Colorado, Nebraska, New Mexico, and Wyoming. To save money for themselves these 2 coops would have forced costs they agreed to pay onto smaller, less wealthy utilities and their rural consumers. Many of Tri-State's members, including Y-W, attempted to intervene into the proceedings at the CPUC, but were denied. This denial effectively silenced a large majority of Tri-State's members who will be financially harmed if the decision was left to stand. Y-W worked with a coalition of 8 other Tri-State member coops and Colorado State Legislators Holtorf and Sonnenberg to draft letters to the CPUC. Over 5,000 letters were sent from the members of the coalition, and 9 Colorado Legislators supported us. The CPUC has dismissed this complaint filed by these two members that had asked the commission to set the cost to break their long-term power supply contracts. The CPUC agrees that the Federal Energy Regulatory Commission (FERC) has exclusive jurisdiction over member withdrawal charges.

The issue of buying out of the Tri-State WESC is now being heard before the FERC where all Tri-State member cooperatives have a voice.

This was a huge win for us, thank you for your help!

Seeking a venue more favorable to them in Colorado, these 2 coops have now filed this case in Colorado District Court.

We will keep you updated as this important issue moves forward through the regulatory and legal system.

Board Retirement

Steve Schoenfeld has retired from the Y-W Board after 12 years of service. He completed NRECA's Credentialed Cooperative Director (CCD) and Board Leadership Certificate (BLC) courses and served as Y-W's representative on the Western United Electric Supply Board for the past 3 years. WUE is a material supply company owned by 72 electric coops in 10 states. Y-W purchases both materials and tools used in the construction and maintenance of our electric distribution system.

Thank you, Steve, for your service, leadership, and mentorship to Y-W and to all the Directors you have served with.

Brooke Price was elected by the membership to represent the Town of Otis.

Chester Gebauer passed away on May 7, 2021. He was elected to the Board March 17, 2006 representing District No. 5 – 2nd Commissioner District. Chet served as Board Secretary from 2008 -2015 and Treasurer from 2016 – 2018. He had completed NRECA's Credentialed Cooperative Director Course (CCD) in October of 2012 and Board Leadership Certificate (BLC) in February of 2016.

We mourn his loss but would like to recognize his 15 years of service, leadership, and friendship to the Y-W Electric Board of Directors and Association. He will be missed.

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

Regards,

Roger Schenk.
Board President



2020 ANNUAL REPORTS



BALANCE SHEET - December 31, 2020

What We Own.....		What We Owe.....	
Property Owned	124,028,700	Borrowed from RUS	37,902,551
Less Depreciation Provision	<u>(38,627,217)</u>	Borrowed from CFC	3,167,952
Present Value of System	85,401,483	Borrowed from CoBank	22,462,697
Reserves & Investments	7,119,811	Repayment	(3,251,853)
Investments in Assoc. Org.	32,163,700	RUS Zero Interest Grant	400,000
Accounts Receivable, Net	2,124,120	Current Maturities L/T	3,049,136
Materials & Supplies	2,031,933	Current & Accrued Liabilities	<u>4,052,176</u>
Prepaid Expenses & Other		Total Liabilities	67,782,659
Deferred Debits	<u>1,151,215</u>		
		Your Investment.....	
Total Assets:	129,992,262	Patronage Capital Credits	57,221,928
		Donated Capital	<u>4,987,675</u>
		Total Equity	<u>62,209,603</u>
		Total Liabilities & Equity:	129,992,262

RECORD OF GROWTH				
	<u>2005</u>	<u>2010</u>	<u>2015</u>	<u>2020</u>
Plant Investment	\$68,636,443	\$81,908,766	\$96,008,726	\$124,028,700
Average # of Consumers	8,569	8,916	8,955	9,119
Total kWh Sold	316,808,726	344,215,247	333,065,214	352,785,488
Cost of Power	\$18,533,794	\$25,645,945	\$27,081,956	\$30,020,915
Average Cost per kWh Sold	\$0.0585	\$0.0745	\$0.0813	\$0.0851
Miles of Line in Service	4,032	4,013	4,006	3,955
Electric Revenue Billed	\$25,398,011	\$36,731,392	\$39,159,236	\$43,943,480
Avg Revenue per kWh Sold	\$0.0802	\$0.1067	\$0.1176	\$0.1246

PATRONAGE CAPITAL	
Accrued 1959-2020	94,582,157
Refunded to Dec 2018	(32,629,159)
Refunded During 2019	(2,044,351)
DBS Margins Held	<u>(2,686,719)</u>
Balance	57,221,928



STATEMENT OF REVENUE & EXPENSES December 31, 2020	
Electric Revenue	\$43,943,480
Less:	
Cost of Power	(30,078,824)
Operating & Maintenance	(5,304,086)
General Administration	(2,488,210)
Consumer Accounting & Info	(637,660)
Depreciation	(3,224,806)
Interest & Other	<u>(1,921,616)</u>
Operating Margin	288,278
Non Operating Margins	591,649
G & T Capital Credits	666,196
Capital Credits from Assoc Coops	<u>75,027</u>
Total Margins	\$1,621,150

Tri-State Report by Tri-State Generation and Transmission, Inc.

Tri-State is a wholesale power cooperative that is owned and governed by its members, and that operates on a not-for-profit basis. Y-W is one of Tri-State's 45 members. Tri-State's 42 utility members collectively serve more than one million people across nearly 200,000 square miles of the west, in Colorado, Nebraska, New Mexico, and Wyoming. Importantly, Tri-State remains focused on delivering reliable and affordable electricity to its members even as it drives a significant transformation of its business.

Reliability preserved through pandemic, weather

Safely delivering reliable electricity is Tri-State's top priority. Throughout 2020, its generation and transmission resources operated well to serve members' loads. Its employees safely managed the challenges of the pandemic, which did not affect its operations. Notably, Tri-State's safety record was better than the national average, with facilities receiving 10 National Safety Council awards.

Tri-State has a goal to maintain 99.995% reliability for members, and ensures it has adequate resources to serve its members load while maintaining its generation fleet and vast transmission network. This dedication to reliability was demonstrated during the February 2021 cold weather event, when Tri-State continued to deliver power and manage costs.

Wholesale power rates reduced

In 2020, the Tri-State board set a goal to reduce Tri-State's wholesale rates to its members. Tri-State's wholesale rates have been flat for five years, and in 2021, a 2% wholesale rate decrease went into effect, with another 2% wholesale rate decrease to occur in 2022. These wholesale rate decreases help Y-W manage the upward rate pressures on the cooperative.

Financially, Tri-State met all its financial goals, reduced debt and returned patronage capital to its members in 2020. In 2020, \$30 million in patronage capital was returned to Tri-State members, and over the past five years, Tri-State has returned \$130 million to members.

Plan to meet state emissions reduction requirements

As Colorado policymakers have set aggressive emissions reductions goals, in January 2020, Tri-State released its Responsible Energy Plan that expands renewable generation and reduces emissions while ensuring reliable and affordable power.

Tri-State retired its last coal-fired power plant in New Mexico in 2020 and will retire its remaining Colorado coal-fired power plant, Craig Station in northwest Colorado, by 2030. The closing of Craig Station is a significant step for Tri-State to reach an 80% reduction in carbon dioxide emissions associated with wholesale electricity sales in Colorado. Tri-State is working with local, state and federal leaders to support its employees and coal-dependent communities.

Tri-State will bring eight utility-scale solar and wind projects, totaling 1,000 megawatts (MW), online by 2024, when 50% of the energy supplied to members system-wide will be from renewable energy. The first of two wind power projects is already operating near Siebert, CO. An electric resource plan that Tri-State is required to file with Colorado regulators identifies another 1,850 MW of renewable resources by 2030.

Energy efficiency program supports school district

Tri-State also supports its members in using power wisely. With Tri-State's support, Y-W was able to present the Akron School District with a rebate check for a LED lighting retrofit at the football stadium, and Tri-State's transmission crews even helped install the lights at the stadium with their larger bucket trucks. In 2020, Tri-State provided \$3 million in energy efficiency incentives through nearly 9,000 rebates to its utility members.

Increased contract flexibility that protects all members

Some of Tri-State's utility members have sought more flexible wholesale power contract options so that they can self-supply more of their own power. Tri-State's members and the board worked together to develop a new option that provides flexibility to those members, while protecting the financial interests of the majority of Tri-State members that wish to continue under their current contracts.

Positioning Tri-State to best serve its members

As the power markets and regulation are becoming more complex, Tri-State's board of directors has taken actions that position the power supply cooperative for the future. This includes expanding Tri-State's participation in organized power markets and creating regulatory certainty on wholesale rates.

Tri-State is increasing its participation in regional power markets, which supports reliability, cost savings and renewable energy integration. Tri-State has 80% of its load in organized markets, which creates a larger pool of resources to draw from and more efficiently utilizes the transmission system. Tri-State's resources in organized markets are planned to grow to 100% in 2022, and with other regional power suppliers, Tri-State is evaluating expanded participation in the Southwest Power Pool regional transmission organization. This would further increase benefits to Tri-State's members.

Tri-State operates in four states. As states, including Colorado, have sought to regulate Tri-State's wholesale rates, our Tri-State board sought regulatory certainty by having a single federal rate regulator. The Federal Energy Regulatory Commission is now Tri-State's wholesale rate regulator, which provides stability and fairness for all of Tri-State's members, no matter which state they operate in.

In a year with significant challenges, the Tri-State power supply remained reliable, increased in affordability, and is successfully responding to market and regulatory changes. With Y-W's membership in Tri-State, Y-W can continue to take full advantage of the cooperative business model and best serve Y-W's local communities.