



HIGHLINE
ELECTRIC ASSOCIATION

Your Touchstone Energy® Partner 

2020 Annual Meeting

Reports

President's Report

Tri-State Report

Western United Report

CREA Report

NREA Report

President's Report by Mike Bennett

As I write this report, I am pleased to tell you Highline Electric had another good year. On behalf of the board and staff, we welcome you and hope you enjoy your evening with us, celebrating eighty-two years of providing electricity to you, our friends and neighbors. Your support and participation is valuable and I would like to thank all of you for taking time from your busy schedules to be here this evening.

Three director positions are up for election this year from each of Highline's four districts. The incumbent directors from each of the districts have submitted their petitions for re-election. No other petitions have been submitted, so therefore in compliance with Highline's by-laws an election will not be held.

Highline's operating margins for 2019 were \$ 630,087 above budget. Another unusually cool and wet spring and early summer reduced irrigation sales again this year, but dry weather finished out the season and sales picked up to allow for a good finish. The board once again agreed to return capital credits. General capital credits totaling \$ 2,857,534 were returned and special retirements totaling \$149,945 were also retired to estates.

Energy efficiency programs will continue to be offered at Highline for 2020. If you are considering new LED lighting, purchasing new appliances, heating/cooling systems or new electric motors, contact the Highline office and find out what it takes to become eligible for the many rebates that are available.

With the assistance of Tri-State, Highline continues to donate to the 4-H councils and the fire departments within our service territory. Scholarships each year are also provided to many recipients for the continuation of their education beyond high school.

2019 was a very busy year for Highline's line crews, engineering and office staff. Constructing many new services, maintaining the current facilities and managing the daily affairs of the company is an ongoing process.

Keeping Highline's system reliable, efficient and providing electricity 24/7 365 days a year is a daunting task. We, the board, are proud of the work Highline's employees do to accomplish this for you, our consumers. Should you have any questions about this evening's events or anything else, don't hesitate to contact Highline's office or

one of your Board members. Once again thank you for your support and for attending this meeting.

Thank you!

Tri-State Report by Leo Brekel

Tri-State Generation and Transmission (TS) had a good 2019, however there were several extraordinary events. Duane Highley began his tenure as CEO in April. Margins allocated to members for 2019 amounted to \$45.3 million. \$30 million of capital credits were returned to members. All financial requirements and goals were met. Wholesale rates remain the same for 2020.

As is its purpose, TS continued to serve the all requirements needs of its 43 members. However, during the year, Delta-Montrose and Tri-State agreed on a buyout number that will allow Delta-Montrose Electric to exit membership at TS. This exit is scheduled to occur in May 2020. In addition, United Power and LaPlata filed a case at the CO Public Utilities Commission indicating they want the PUC to determine a suitable buy out number for each of them. TS and a majority of the membership is vehemently opposed to the PUC considering this case. We feel that the all requirements contracts should be debated within the family and not determined by a PUC.

TS applied to the Federal Energy Regulatory Commission (FERC) to become jurisdictional under their rules. Although FERC rejected the TS rate filing, we are considered FERC jurisdictional as we added three non-utility members to the membership during 2019. FERC seems like a more reasonable option than having Public Utility Commissions or Public Regulatory Commissions, with our multi state service territory, trying to assert jurisdiction over TS issues.

Near the end of the 2019 CO Legislative session, a Bill was passed with a goal of reducing 2005 levels of carbon emission by 50% by 2030. This bill will not allow TS to continue operation of our CO coal plants. The Board approved a Responsible Energy Plan for TS to begin the move to noncarbon emitting sources of generation. We have approved about 800 megawatts of wind and solar that will become part of the generation portfolio in the next three years. Dennis will comment on all of this during the CEO report this evening.

Our coal plants at Craig will close by 2030, as will our coal mines. You may recall that Craig 1 is scheduled to close in 2025 as part of a Regional Haze rule. Craig 2 will close in 2028 or 2029 and Craig 3 by

the end of 2030. We at TS will continue to provide reliable and affordable electricity. More renewables will be added, and a natural gas plant will need to be added in the late 20s.

The New Mexico Legislature also passed increased renewable standards in 2019. Our Escalante generating plant in Grants, NM will close by the end of 2020. This closure is more economics than regulations. This closure, as well as the Craig closures, forces economic problems on the communities that have relied on these plants for jobs and community sustainability. TS will help with this transition as well as we can.

Finally, TS appointed a Contract Committee during the summer. This committee has been meeting monthly. We are reviewing the current all requirements contract and trying to determine if everyone's best interest will be served by allowing some partial requirements contracts. More to come.

2019 was a busy year and 2020 will probably be the same. I was appointed to the Contract Committee and have listened to a lot of different viewpoints. My opinion has not changed. TS does an excellent job providing electricity and transmission to its members. I am honored and humbled to serve at TS on behalf of Highline and all of you, our member/owners. Should you have questions or comments, please contact Highline's office or me. Thank you for your attendance and being involved in Highline.

Western United Report by Ted Carter

Western United Electric Supply is pleased to report to the membership that sales of \$140.5M during fiscal year 2019 exceeded the prior year by 5.8 percent and set a new record for sales in a fiscal year. The increased sales is the result of continued housing development and line rebuilding throughout the WUE service territory, an increase in the sales of transmission and substation material, the continued increases from all member purchases in the eight state WUE service territory as well as the municipal customer base and contractor customer base. A large percentage of total sales continues to be generated from WUE's 72 members accounting for 79.9 percent in the fiscal year. Sales generated from the 29 members, from five different states, participating in the WUE inventory management program was approximately \$101.3M or 72.1 percent of total sales. In addition, a record amount of the total sales for the fiscal year was shipped from WUE's three warehouses. Fifty-seven percent or over \$80.2M was shipped from the Brighton, CO,

Albuquerque, NM, and Salem, UT warehouses, an increase of 15.7 percent or \$10.9M over the prior fiscal year.

Gross margins for fiscal year 2019 totaled over \$13.8M and are the highest in our history. Net Income totaled over \$7.4M and is also the highest in WUE's history and an increase of \$305.6K or 4.3 percent over the prior year. Members' equity as a result of the net margins being distributed to members currently totals \$40.2M. The large member equity has enabled WUE to redeem the balance of all outstanding fiscal year 2011 member patronage certificates during fiscal year 2019 totaling over \$1.4M. Member patronage as a percent of purchases for FY2019 was 6.6 percent which is the same as the prior year and nearly 69 percent of the members' gross margin contributions were extended back to them in the form of patronage at the end of the fiscal year.

CREA Report by Jim Lueck

Colorado Rural Electric Association has been in the thick of the Legislative session since January 8th. As this report is being written, several bills of interest and concern to CREA are in committee hearings or will be heard later this session. When this report is read the dynamics could change considerably and direction of these bills could be altered.

Senate Bill—SB20-038- Statewide Biodiesel Blend Requirement Diesel Fuel Sales: The bill would implement a statewide biodiesel blend requirement for the sale of diesel fuel.

House Bill HB20-1265 Increase Public Protection Air Toxics Emission Bill: This bill creates a NEW program to regulate hazardous air pollutants. The Air Quality Control Commission would be directed to set HIGHER standards than the Federal Clean Air Act. This bill could impact everything from dry cleaning establishments to the oil and gas industry.

House Bill- HB20-1225-Cooperative Electric Utilities Reasonable Rates Energy Storage: This is a hybrid bill that would have PUC determine if rates for installation and use of battery storage are reasonable. The second portion of this bill would give PUC jurisdiction to determine exit fees for co-ops wanting to exit and buyout from Tri State. CREA's and Tri-State's argument is that these arguments should be resolved in the co-op world and not by a government entity.

Due to the Covid-19 outbreak the Colorado Legislature has decided to temporarily adjourn until March 30th. This will provide CREA's lobbyists a slight reprieve from the hectic pace they have had.

In 1933, at his first inaugural address and in the depths of the Depression, Franklin Delano Roosevelt spoke the words "The only thing to fear is fear itself." The initial fear of the Covid-19 virus has been replaced by the reality of the situation. Precautions being taken will hopefully avoid a wider spread of calamity. The best advice to consider is to trust God, but wash your hands.

Thank you for the opportunity to serve on the Highline Electric Board of Directors and as representative to Colorado Rural Electric Association Board of Directors. Please continue supporting and reading Colorado Country Life Magazine.

NREA Report by Merlin Prior

Highline Electric Association's territory consists of rural consumer-members in northeast Colorado as well as a significant number of consumer-members in southwest Nebraska including irrigation load. With this diverse load in Nebraska, we are a member of Nebraska Rural Electric Association, made up of 34 Nebraska rural electric systems which work cooperatively to make sure we continue to have affordable, reliable and safe electricity. Constant monitoring of state and federal regulations, the US Congress and Nebraska legislature is necessary, along with a watchful eye towards what is happening and how it will affect our ability to keep the power available 24/7. Many new innovative ideas, new senators and representatives and perceived new sources of electric power through renewable energy projects are constantly being put before our systems' boards as better than what we traditionally have depended on. Sorting out the most reliable, economical and best combination of projects for the growing power needs and consumers' preferences is challenging. The choices must work for our co-op, its members and the system, as a whole, for long term dependability.

The NREA staff and member systems strive to maintain strong relationships with state and federal elected representatives as well as regulating commission so we can provide them with reliable information to make sound decisions that will preserve our rural power systems.

One of the challenges deals with net metering of new renewable power generated by consumers wanting to sell extra generated power back to their power provider. This creates inequities for the

rest of the consumer-members. Education is needed to discuss the fairness and use of existing infrastructure built to supply power to the HEA system. NREA is striving to develop ways to accomplish these educational needs with the consumers and legislative members by using the Working for Nebraska video programs. This effort is to provide important details for understanding the principles involved. Nebraska is presently one of the top states in the US for the lowest economical rates and most reliable electrical grid systems. I encourage you to go to the HEA website to view informative videos which can help you better understand issues and services we provide. Please contact HEA with questions you don't find answers to.

HEA and NREA are committed to excellence in providing electric services safely, efficiently and economically for you, our consumer-members. The NREA will continue to provide association services, training and monitoring of legislative and regulatory initiatives that affect Nebraska rural electric systems.

I want to thank the HEA members for allowing me to represent you on the HEA Board of Directors and the opportunity to represent HEA on the NREA Board of Directors.

Thank you for attending this year's annual meeting and your support of HEA.

Employees

Holyoke

Robie Adams
Eric Anderson
Alex Astley
JT Baker
Jerry Banaka
Jill Baumgartner
Ryan Bingham
Luke Bracelin
Bob Bradley
Kris Camblin
Steve Deaver
Jason Depperschmidt
Deanna Deselms
Jason Doleshall
Morgan Eurich
Mark Farnsworth
Rance Ferguson
Joanie Groshans
Mark Harshbarger
Jessie Heath
Dennis Herman
Barb Holtzman
Tadius Huser
Jim Jackson
Ben Kafka
Dan Kafka
Casey Krening
Tammy Kroeger
Tom Kropp
Eric Luedke
Josh Martin

Matt McCabe
Elon Nelson
Melissa Nelson
Elise Pocock
Derek Roberts
Imer Rodriguez
Nick Saylor
Landon Shaffer
Tracy Simpson
Deon Skomp
Justin Wert
James Ziebarth

Ovid

Seth Baker
Jeff Blochowitz
Carson Ebke
Mendi Lutze
Jeff Pocock

Sterling

Karson Harryman
Joni Kinney
Darrin Manuello
Chris McKay
Matthew Miller
Jeff Poe
Jace Rhodes

