

EMPIRE ELECTRIC ASSOCIATION

Echoes of the Empire

DECEMBER 2023

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EXECUTING THE PLAN

BY ANDY CARTER MEMBER ENGAGEMENT MANAGER

The only constant is change. This certainly applies to the electric industry at the present time. Empire Electric Association recognizes the need to be prepared and anticipate change so we can meet our membership's expectations. EEAs board has used a strategic planning process to prioritize work and ensure that we are ready for the future when it arrives.

One of EEA's current strategic goals is to ensure adequate system capacity to meet potential load growth. Advances in technology, coupled with concerns for the environment, have created an ever increasing demand for power. Reliable power requires planning and coordination from the generation source all the way to the meter.

To prepare for load growth, EEA increased the minimum size transformer and conductor we will install for new services. We have also updated our system model and used it to perform a



ANDY CARTER

load growth analysis to identify areas that will need capacity enhancements as members increase the amount of power they use. An additional action was to create and implement an online estimator tool to allow members easy access to cost information for adding or upgrading services. This has also helped to decrease the engineering department's response time to member inquiries.

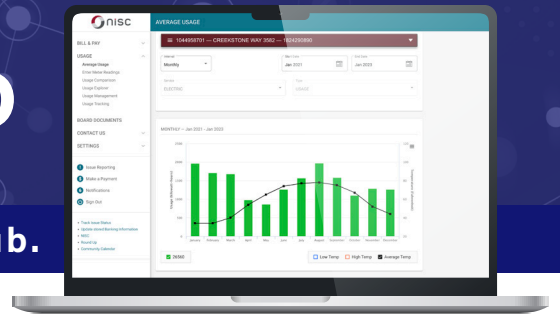
A second strategic goal is to pursue grant funding opportunities. EEA's Finance Manager Ginny Johnson has been responsible for coordinating EEA's work in this area. EEA is seeking funding



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eea.smarthub.coop or eea.coop



Depending on the extent of storm damage, restoration can be a complex process. **There are many steps in the assessment and restoration process:**

1.  Clearing downed power lines
2.  Restoring power to public health and safety facilities
3.  Repairing transmission lines
4.  Checking power stations and transformers
5.  Repairing distribution lines
6.  Getting power restored to homes and businesses



Remember, a neighbor may have power while you do not. Your home might be on a different feeder or transformer or the service line to your home may be damaged.

Never plug a portable generator into a wall outlet, which could cause power to backfeed into the overhead lines that utility crews are working on.



Regardless of the extent of an outage, **safety always comes first.**

Safe Electricity.org®

for wildland fire mitigation; increasing distribution transformer and circuit capacity; constructing a community solar garden; improving vegetation management; and enhancing our cyber security skills and systems. The funding opportunities are made available through the Grid Resilience and Innovation Partnership, the Energy Improvements in Rural or Remote Areas program, the New Empowering Rural America program, Colorado and Utah Grid Resilience funds provided by the Bipartisan Infrastructure Bill, and the Rural and Municipal Utility Cybersecurity Advanced Cybersecurity Technology Prize Competition.

Several funding sources will be allocating funds over the next five years. Because of the time and effort required to complete grant applications, EEA has elected to join a few consortiums to leverage the resources they provide and increase the possibility of securing funding as well as competing on our own for funds. Johnson stated, “To balance reliability with affordability, we have been disciplined in our construction plan to wait to replace grid assets until the end of their useful life and to only expand when members have made a financial commitment to build. If we can secure funding for a few of these projects, it will greatly enhance our safety and reliability for the future without burdening current members.”

By the end of October, EEA submitted seven grant applications, and we have three more applications being prepared for submission by the end of the year. Four of seven applications were denied in their first-round review. Our Energy Improvements in Rural or Remote Areas application to increase the capacity of 800 distribution transformers was invited to submit a full application for the second evaluation round, and we are waiting for the results of the other two submitted applications. The structure of many grant programs allows for several rounds of requests for funding and EEA intends to refine our unsuccessful applications and continue to request funds to improve our system’s reliability and capacity.

In the meantime, rest assured that EEA will continue to be good stewards of the assets we have and will be providing safe, reliable, and affordable power when you need it. We appreciate your support and look forward to serving you well into the future.

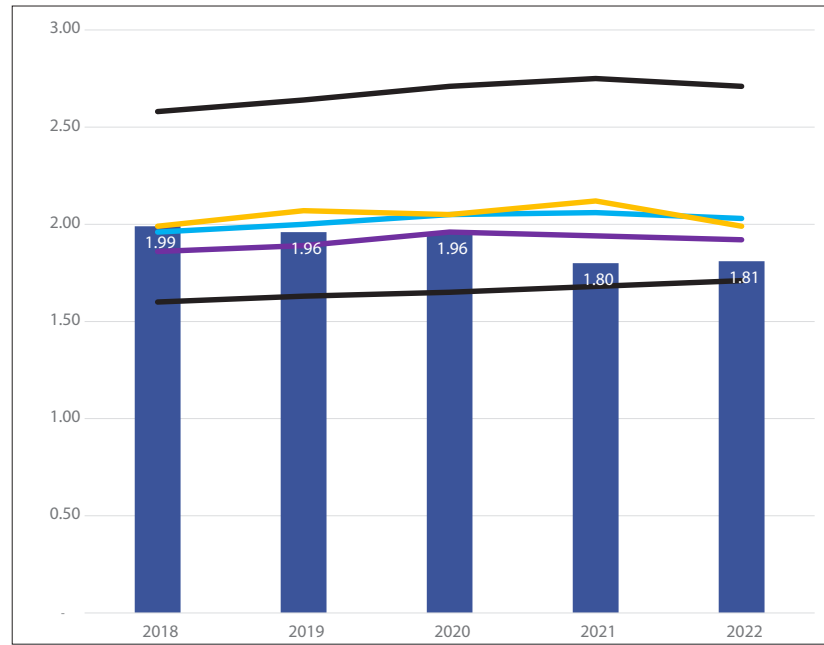
THE KRTA YARDSTICK

Our management tool for periodic financial review

Successful management of any business requires a periodic review of current operations to make sure standards are being met and to identify any weak areas. The yardstick rural electric cooperatives use to measure performance is a series of financial and operating ratios known as Key Ratio Trend Analysis. The National Rural Utilities Cooperative Finance Corporation, a cooperative lender that Empire Electric Association uses for financial services, collects data from participating cooperatives across the nation to develop the KRTA. The KRTA helps cooperatives look for trends and spot unusual or unexpected variances.

KRTA #11 – MDSC (2 OF 3 YEAR HIGH AVERAGE)

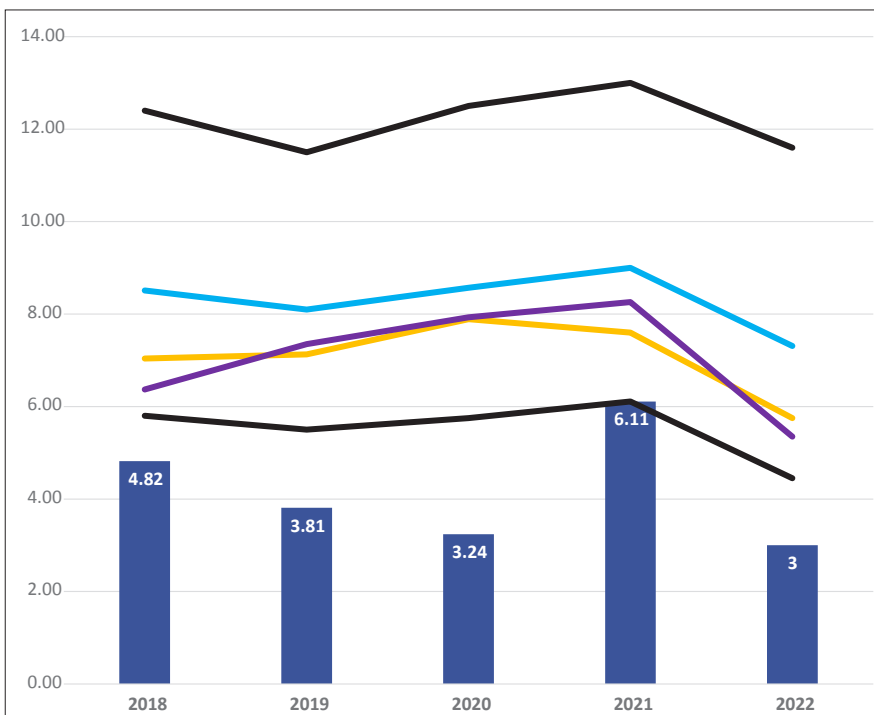
■ EEA ■ US Co-ops ■ CO Co-ops ■ Tri-State Members ■ Lower Quartile ■ Upper Quartile



KRTA #11 is the Modified Debt Service Coverage Ratio. MDSC is a measurement of a system's ability to generate sufficient operating funds to cover the cash requirements of its long-term debt service, but adjusted to eliminate non-cash amounts that are included in margins, such as capital credit allocations from other cooperatives that EEA is a member of (e.g. Tri-State Generation and Transmission). EEA's MDSC has consistently been above lender requirements but lower than most peers. This indicates EEA can pay our debt obligations, but we do not collect excess revenue. Lower revenue requirements help to keep rates affordable.

KRTA #56 – TOTAL MARGINS PER KWH SOLD (Mills)

■ EEA ■ US Co-ops ■ CO Co-ops ■ Tri-State Members ■ Lower Quartile ■ Upper Quartile



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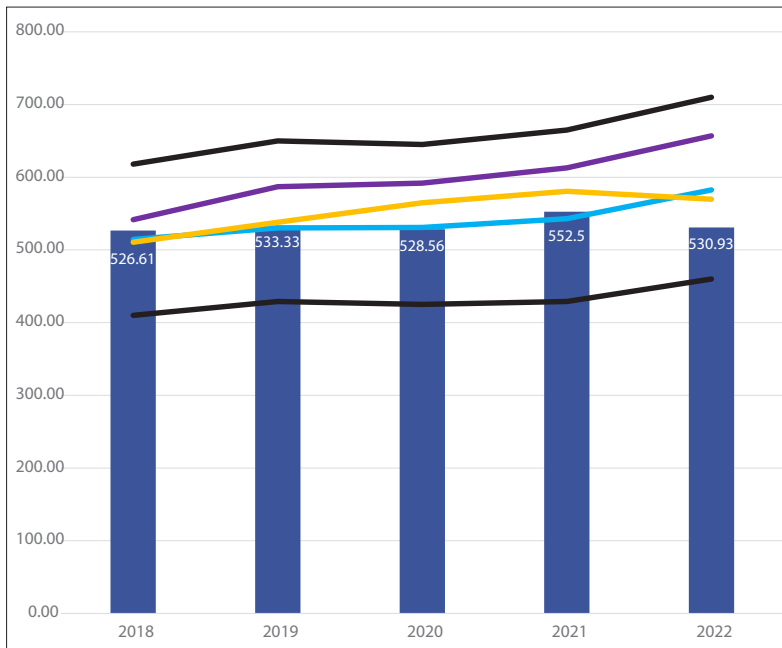
KRTA #56 is Total Margins per Kilowatt-hour Sold.

It measures revenue received over and above the total cost of providing electric service, either from the sale of electricity or nonoperating sources, such as interest income and Tri-State and other capital credit allocations that EEA receives from cooperatives we are a member of. EEA ranks low among other cooperatives because we have a high load factor, our rates fairly recover costs to serve, and we have a Power Cost Adjustment mechanism that keeps what we charge members for power close to our actual cost on an annual basis. EEA's load factor is shaped by the nature of the carbon dioxide extraction and associated loads we serve. Those large industrial loads tend to use power consistently with little variation. Being able to consistently maintain an acceptable margin keeps rates lower while providing a return to our members through capital credit retirements.

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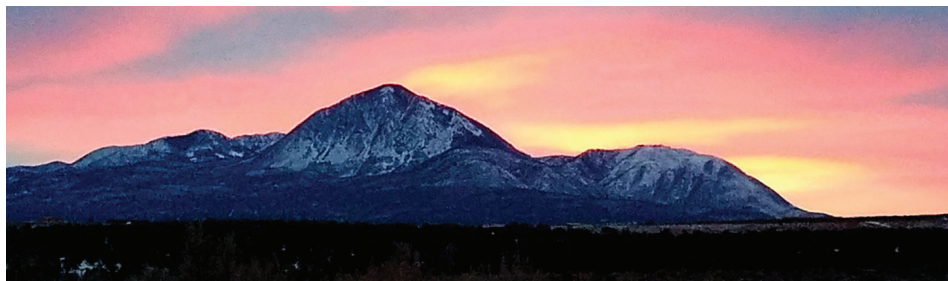
KRTA #87 – TOTAL CONTROLLABLE EXPENSES PER CONSUMER (\$)

■ EEA ■ US Co-ops ■ CO Co-ops ■ Tri-State Members ■ Lower Quartile ■ Upper Quartile



KRTA #87 is Total Controllable Expenses Per Consumer. It measures controllable expenses such as costs for operations, maintenance, consumer service, administrative, and overhead on a per-consumer basis. EEA is in line with the national average and below other Tri-State members as well as other Colorado electric cooperatives. Our ranking demonstrates our commitment to controlling costs to keep rates affordable.

The KRTA ratios discussed are just a few that EEA uses to objectively measure our financial performance and guide our decision-making. Providing you with safe, responsible, and reliable electricity requires many different skill sets. Good accounting practice and sound decision making help to ensure we have the right employees and the best equipment to provide the service you expect at a price you can afford.



“Ute Mountain Sunset” by Grant Roe



Monthly Calendar

December 8 – 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.

December 15 – Youth Tour Applications Due.

December 25 – Christmas Day. EEA’s office will be closed December 25–26 to celebrate the Christmas holiday.

Energy Efficiency Tip of the Month

Get smart with a better way to heat and cool your home. Smart thermostats are Wi-Fi enabled and automatically adjust heating and cooling temperature settings in your home for optimal performance. Smart thermostats learn your temperature preferences and establish a schedule that adjusts to energy-saving settings when you’re asleep or away.

For maximum energy savings, look for smart thermostat models with the Energy Star label.

Source: Dept. of Energy



EEA hopes you have a delightful holiday with friends and family.



Our Office will be closed
December 25th-26th and
January 1st for the Holidays.