

HIGHLINE ELECTRIC ASSOCIATION
ANNUAL MEETING OF MEMBERS
March 29, 2022

The Annual Meeting of the members of Highline Electric Association was held at the Phillips County Events Center, Holyoke, Colorado at 6:30 P.M. on March 29, 2022.

President Michael Bennett called the meeting to order. Attorney Williamson recorded the minutes of the meeting.

INVOCATION

Paul Brunner of the First United Methodist Church of Holyoke gave the invocation.

PLEDGE OF ALLEGIANCE

President Michael Bennett led the members and guests in the Pledge of Allegiance.

DETERMINATION OF QUORUM

President Michael Bennett reported that there were 158 members registered for the meeting and that is sufficient to constitute a quorum for conducting any business that may come before the meeting including the election of Directors.

INTRODUCTION OF DIRECTORS AND GUESTS

Director Lueck introduced the members of the Board of Directors, their spouses, and guests.

NOTICE OF ANNUAL MEETING

Notice of the Annual Meeting of Members and proof of publication and proof of mailing of notice was read by Secretary Merlin Prior.

MINUTES OF THE 2019 ANNUAL MEETING

It was properly moved, seconded, and carried that the reading of the minutes of the Annual Meeting of Members held March 20, 2019 be waived and that they be approved as written. Due to the Covid-19 Pandemic, there was no Annual Meeting of Members in 2020 or 2021.

ELECTION OF DIRECTORS

Attorney Williamson reported that there were four vacancies on the Board of Directors. There was one vacancy each in Districts 1, 2, 3, and 4. Leo Brekel, incumbent, filed the only petition for District 1. Steve Oestman, incumbent, filed the only petition for District 2. Ted Carter, incumbent, filed the only petition for District 3. Merl Miller, incumbent, filed the only petition for District 4.

Williamson introduced the members nominated for the vacancies. He explained that because there was only one candidate for each vacancy, a voice vote would be appropriate. It was properly moved, seconded, and carried that the nominees for the vacancies on the Board of Directors be elected to that office to serve for a term in accordance with the bylaws of the Association.

MANAGER'S REPORT

President Bennett introduced Highline General Manager Dennis Herman. Manager Herman thanked members for coming to the Annual Meeting. Herman introduced the Highline employees and thanked them for their service to the Cooperative.

Herman introduced Highline's Chief Financial Officer, Jim Jackson. Jackson presented the 2021 Financial Report.

Highline purchased 464,851,289 kWh in 2021. The vast majority, 454,021,783 kWh, was from Highline's power supplier, Tri-State Generation and Transmission. 7,340,077 kWh were purchased from a waste heat recovery project. 3,465,096 kWh were generated from Highline's solar generation subsidiary company. The total purchases were down 36 million kWh compared to 2020. Highline's sales and purchases of electricity are highly dependent on weather, which compared to 2020 was milder.

The Cooperative sold 429,835,350 kWh, a decrease of 40 million kWh from 2020. Irrigation accounted for the largest share at 54.1% of the total kWh sold. Large Commercial followed with 26.3%, residential at 14.5% and small commercial with 5.1%.

Operating Revenues for 2021 were \$51,204,226.00, which is a decrease of \$1.5 million compared to 2020. The decrease in revenue is mainly due to decreased sales in the irrigation class due to weather being milder than 2020 along with Highline's large commercial accounts using less energy. Highline's major lender, The Rural Utilities Service, allows Highline to defer revenue in years of exceptionally strong margins and recognize the deferred revenue in subsequent years. In years 2018 and 2019 Highline recognized \$300,000 and \$1,000,000 respectfully of deferred revenue.

Highline's operating margins in 2021 were \$283,491. Highline's operating margins in 2020 were \$1,699,074 before deferring \$1.7 million of revenue and a negative \$926 after deferment. In 2019 Highline had a negative \$1,934,906 of operating margins before the recognition of \$1,000,000 of deferred revenue, making operating margins a negative \$934,906 after the recognition. Deferring revenue and still having negative operating margins in 2019 and 2020, Highline was still able to meet all Highline's mortgage requirements.

Highline's operating margins are generated from the sale of electricity to the members. There are other, non-operating margins that Highline receives from cooperatives in which Highline is a member. Tri-State represents Highline's largest investment in other cooperatives.

Highline's total margin for 2021 was \$1,587,816. This is comprised of: the Highline generated operating margin of \$283,491 and \$1,205,172 that were generated by Highline's memberships in Tri-State, Western United, CoBank and CFC, and \$99,153 in interest and other non-operating income.

In 2021 the Board of Directors approved a capital credit refund that included (1) 100% of outstanding Highline capital credits from 2005 and 22% of 2006; (2) 100% of the outstanding Tri-State capital credits from 1999, and 100% of year 2000; and (3) 13% from year 2001, for a total general retirement of \$2,372,122.

The following is a summary of Highline's capital credit allocations and refunds since 1948:

Highline members have accrued capital credits over \$111 million. Highline has refunded to estates \$6.1 million and Highline's general refund in 2021 was \$2,372,122.

Refunds in prior years were \$48 million, which including last year's retirement, totals \$50.3 million returned to Highline's members since 1948.

Highline's members' capital credit balance is \$52.7 million of which \$12.3 million is comprised of equity in Highline and \$40.4 million represents equity in Tri-State and other cooperatives.

Highline is currently on a fifteen-year retirement cycle for Highline capital credits and as Tri-State retires capital credits to Highline, Highline retires those back to the membership.

Highline ended 2021 with \$2,506,663 in cash and investments, a decrease compared to 2020. This decrease was mainly due to a loan the cooperative received in year 2020. Highline's work plan determined the cooperative would need a loan to invest in system improvements and with interest rates extremely low in 2020, a decision was made to enter into a loan and take advantage of low interest rates.

Highline ended 2021 with an equity level of 46.7%. Equity measures the extent that members have financed plant in lieu of borrowed capital.

Highline built three miles of new overhead line and one mile of underground line for a total of four miles of new line. The cooperative has 5,174 miles of line and 10,942 meters, which averages a little over two meters per mile of line. The national average for cooperatives is six meters per mile of line. Highline is a rural system, a mature system, and a slow growing system. These factors require rebuilding or replacing distribution plant as it reaches the end of its useful life.

In a fast-growing system, much of the system plant is new. In a mature system like Highline, Highline budgets for upgrades and rebuilds to maintain reliable service to the members.

Highline's utility plant ended the year valued at \$114.5 million, which is a \$2.4 million increase over last year. In the last six years Highline has spent \$13.2 million to maintain or rebuild the system plant to meet members' needs.

The cost to maintain Highline's plant and make sure electricity is available was 20% of Highline's total expenses in 2021. Depreciation and interest were another 10%, and Highline's cost of wholesale power was 70% of Highline's expenses last year.

Dennis Herman gave his General Manager's report.

Highline now offers assistance to Highline members for the purpose of implementing energy efficiency improvements through the USDA's Rural Energy Savings Program. This program provides funds for a variety of energy efficiency upgrades ranging from building envelope improvements to high efficiency appliances. It is the goal of the program that the energy savings from the improvement more than offsets the amount of the payment to Highline. More information is available on the Highline website at www.hea.coop.

Recent enhancements to Highline's Beneficial Electrification and Efficiency Rebate program include the addition of outdoor power equipment and electric vehicle charger installation rebates. The outdoor power equipment rebates are available for electric mowers, snow blowers, leaf blowers, chainsaws, pruners, trimmers, pressure washers and bicycles. The EV charger rebates provide for up to 50% of the cost of a level 2 charger.

Highline completed the three-year deployment of Highline's automatic meter infrastructure, or AMI, with the last meter installed in the last quarter of 2021.

Highline utilizes over 170 miles of 69,000-volt transmission lines to deliver power to several substations throughout Highline's service territory. Highline is in varying stages of planning for the replacement of a significant portion of this line including seventeen miles near Sterling that will be rebuilt beginning this fall and approximately seven miles near Champion that will be replaced in the next few years.

Highline is not immune to the supply chain issues and inflationary pressures that are impacting everyone. Lead times have increased dramatically for almost everything Highline buys, from vehicles to poles and transformers. Highline is working with Highline's material suppliers to work through these challenges with minimal operational disruptions.

Highline installed a level 2 electric vehicle charger at Highline's headquarters in Holyoke for public use. This installation was accomplished with no direct cost to Highline's members through Colorado Energy Office grant funds. In addition, Highline is working with Tri-State and the Colorado Energy Office to install a DC fast charging station along I-76 at the Julesburg interchange.

Tri-State has purchased a handful of electric vehicles that are available to be checked out and utilized by their member cooperatives. These vehicles include a Chevy Bolt, Tesla Model 3, and Tesla Model Y. The program also includes a Plug-in hybrid Chrysler Pacifica minivan. Highline has taken advantage of this program to provide Highline's members with the opportunity to experience this new technology firsthand. Highline will continue to bring these electric vehicles into Highline's service territory periodically.

Highline continues to demonstrate a commitment to the communities Highline serves through economic development programs. Highline recently submitted an application under the USDA's Rural Economic Development Loan and Grant program ("REDLG") to support the Haxtun Hospital District's addition of a clinic on main street in Haxtun. Highline hopes to get a status update on this application soon.

As loan funds are paid back to Highline under the REDLG program, they are used to establish a revolving loan fund. Highline's revolving loan fund, established through prior REDLG projects,

currently supports six loans outstanding or approved totaling over \$310,000, all supporting economic development projects in Highline's service territory.

February 2021 brought a blast from mother nature with the arrival of winter storm Uri. The storm brought record or near record low temperatures to a large swath of middle America. While Highline's electrical system was not directly impacted, Highline did feel the impacts of the storm. The combination of record high electrical demand coupled with generation stations of all types being knocked offline by the cold temperatures resulted in rolling blackouts in the eastern interconnect.

The electrical grid in the United States is made up of three, isolated grids. While there are a few locations where power can be moved between the grids through the use of direct current ties, the ability to move power between the three grids is extremely limited. Highline is uniquely situated with part of Highline's system in the western interconnect and part in the eastern interconnect. Highline's position straddling the two grids meant that Highline could assist the stressed eastern interconnect by switching load from the east to the west. This limited the need for Highline and other Tri-State members in the eastern interconnect to experience the controlled rolling blackouts that were being utilized to keep the grid from experiencing massive outages. The downside was that some of Highline's members had to experience a series of momentary outages as the load was being switched from the east to the west.

Highline advanced \$8.9 million on Highline's loan with the Rural Utilities Service in March 2022. Highline did this in anticipation of a rising interest rate environment for the foreseeable future. The fixed rate for this 30-year advance is 2.25% and the weighted average interest rate for all of Highline's long term debt is 2.75%.

Herman reviewed Highline's deferred revenue plan. The \$2,400,000 that Highline has in deferred revenue today provides Highline with the ability to cushion any future rate impacts that may come Highline's way.

Seventy percent of Highline's expenses are wholesale power costs. What happens at Tri-State has a profound impact on Highline's finances and there is a lot going on at Tri-State. Tri-State reduced their rate by 2% in March of 2021 and an additional 2% in March of 2022 due to settlement proceedings at the Federal Energy Regulatory Commission. These rate reductions have helped to offset the need for rate increases at Highline.

Herman introduced Reg Rudolph, former General Manager of San Isabel Electric, a distribution cooperative headquartered in Pueblo West, prior to joining Tri-State in the last few months as a Senior Vice President and Chief Energy Innovations Officer.

Rudolph reported that Tri-State is celebrating its 70th anniversary. He reported on Tri-State's efforts to implement its mission to provide energy reliably, affordably, and responsibly. Tri-State has over \$6 billion in assets to provide reliable service. Tri-State reduced rates to members by 4% over the past two years. Rudolph's position was created to pursue beneficial electrification and efficiency.

Herman and Rudolph asked for questions from the audience. There were no questions.

SCHOLARSHIPS

President Bennett reported that Highline will award several scholarships this year to graduating seniors in Highline's service territory. These are funded through unclaimed and discounted capital credits. This year's winners were:

\$1,000 Basin Electric-Member Cooperative Consumer:
Josephine Schlachter of Holyoke High School

\$1,000 Renewable Highline Electric Association:
Makia Adler of Wray High School
Kellum Carnahan of Revere High School

\$1,000 Highline Electric Association:
Andre Baucke of Yuma High School
Cade Killin of Holyoke High School
Eva Kramer of Kramer Family Homeschool
Gabrielle Powell of Revere High School
Brooklyn Plumb of Haxtun High School
Annalise Roth of Caliche High School
Tuff Sigler of Holyoke High School

\$1,000 Highline Electric Association Lineman's School:
Ethan Koester of Sterling High School

\$500 Tri-State G&T/Highline Electric Association:
Teagen Binder of Branson School Online
Zoey Vandenbark of Fleming High School

DRAWING FOR PRIZES

Drawings for prizes were conducted and HEA Board Members delivered prizes to each winner in the audience. The grand prize of \$2,500 was not awarded because the member whose name was chosen randomly, Justin Briggs, was not present.

ADJOURNMENT

There being no further business to come before the meeting, the meeting was adjourned.

President

Secretary