



Touchstone Energy®  
Cooperatives

## IN THIS ISSUE:

Chief Executive Officer  
and Board Chair Reports

2017 Financial Report

Director Election

Northern District  
Candidate Profiles

Incumbent Director Profile

2018 Sample Ballot

Financial Information

Operating Statistics

Celebration & Annual Meeting

Connect with us!  
"Like" our page!  
Share it!



- ANNUAL REPORT & ELECTION EDITION -  
SPRING / SUMMER 2018

# CONSUMER CONNECTION

Holy Cross Energy provides safe, reliable, affordable,  
and sustainable energy and services that improve the quality of life  
for our members and their communities.

Children enjoying bucket truck rides  
at the 2017 Celebration & Annual  
Meeting.



## 2018 CELEBRATION AND ANNUAL MEETING

### Come for the fun, stay for the meeting!

For an old fashioned celebration, annual meeting  
and the announcement of the newly elected board  
members.

Enjoy The Leonard Curry Trio, a BBQ dinner, foam  
machines, bucket truck rides and bouncy house for  
the little ones.

A prize drawing, for members only, takes place  
right after the business meeting.

Prizes include:

- iPad mini
- Nest thermostat
- Google Home with Nest thermostat
- \$2,500 home energy make-over

### CELEBRATION & ANNUAL MEETING



May 31, 2018  
Crown Mountain Park

Registration & fun  
4:30 p.m.

Dinner catered by  
Slow Groovin' BBQ  
5 p.m.

Annual Meeting  
6:30 p.m.



RSVP  
by May 25  
**970.945.5491**



HolyCross.com



MEGAN GILMAN  
Board Chair

# BOARD CHAIR REPORT

A year ago, Holy Cross Energy (HCE) welcomed its 5<sup>th</sup> Chief Executive Officer, Dr. Bryan Hannegan. We are thrilled to have Bryan on board, working with our dedicated staff on both the day-to-day operations, as well as the visionary work of charting the best future for HCE and our members.

Industry-wide, we are seeing continued signs that the future of utilities will look a bit different than how we have all been operating for the last 80 years – in terms of power supply choices, connected homes, buildings and vehicles, and overall changes in some of the expectations we hear from members. However, one thing won't change - our commitment to you, our members, is that we stay focused on providing you with the safe, reliable, affordable and environmentally sound service that provides incredible value to

your daily lives. As of 2017, we recorded a 40% decrease in our greenhouse gas emissions since 2012, all while keeping your rates among the lowest in Colorado and keeping our Members energized 99.99% of the time.

A significant part of maintaining these qualities will be to manage the upcoming industry transitions in an informed and deliberate way. To that end, the Board continues to work alongside the staff on the hard work of number-crunching, planning and financial and technical modeling that helps us chart the course forward for HCE.

There are many more important decisions ahead and I appreciate your trust in us to lead HCE to a successful future.



BRYAN HANNEGAN  
President & CEO

# CHIEF EXECUTIVE OFFICER REPORT

Since our founding in 1939, HCE has provided safe, reliable and affordable electricity to its members like you and the communities in which you live, work, and play.

As your hometown utility, we play an important and vital role in your life, one that you depend on for everything from a comfortable home to a reservoir of hot water, or perhaps soon, even a vehicle with a full "tank" of electrons to take you around town. We know that with that role comes a tremendous responsibility to "keep the lights on" for no part of modern society can function well – or for very long – without electricity.

That's why in 2017 our focus remained on providing the reliable service you have come to expect from us, in a safe and cost-effective way. Our rates continue to be among the lowest in the State of Colorado. Despite our region's rugged terrain and the harsh weather we sometimes endure, the number and extent of outages you experience as an HCE member is among the lowest in the country.

Our linemen and engineers worked tirelessly to restore your service no matter what the conditions outside, and they did so using best-in-class safety practices, training and tools to make sure everyone went home safe to their families at the end of their shift.

At the same time, in 2017 we also began preparing for the possibility of a very different future electric system, one dominated not by big power plants and large electric lines, but one instead that includes solar panels, batteries, smart appliances, electric vehicles, and data-driven controls. These technologies offer the potential for us to truly "put the power in your hands," with options that can provide significant cost savings, improved system reliability and resilience, new services and cleaner power supply, that can better meet your needs. In every part of our business, from IT to Finance, from Operations to Engineering, from Member Services to Power Supply, we now have strategic initiatives under way that will better prepare us for this future.

At our Annual Meeting and over the coming months, you'll hear more about these exciting initiatives, and I hope you'll engage with us to learn more about them, and make your views known.

On behalf of all of us at HCE, thank you for being a Member and thank you for giving us the honor of serving you.



MINDY TAGLER  
Senior Vice President & CFO

# 2017 FINANCIAL REPORT

The 2017 financial operating results for HCE were an operating margin of \$5,911,759 and total margin of \$6,936,484. Total operating revenue for the year was \$121,837,051.

Once again, HCE exceeded all lender required financial and operating ratios. Energy sales decreased from 2016 by slightly less than 2.0%, attributed mainly to mild weather. The pattern of minimal new construction and consumer growth continued in 2017, with 1.0% consumer growth for the year. The Electric Cost Adjustment (ECA) average came in near budget, as expected. As we continue to see slow growth and costs increase, we have engaged an outside consultant, The Brattle Group, to help us with a Cost of Service Study in 2018. As a result of that study, any changes to our rates or rate structures would be anticipated in 2019.

Net Plant additions for 2017 totaled just over \$7.6 million. Additions for the year consisted of: distribution and transmission plant - \$2.5 million, headquarters plant - \$4.5 million, and Comanche 3 generation facility - \$600k.

HCE made cash refunds of member equity during the year of \$6.5 million. Through December 2017, HCE has retired \$150 million to its Members.

The Board of Directors, management and staff of HCE have a strong commitment to maintaining the financial strength and integrity of HCE while balancing competitive rates, environmental responsibility and continuing a high level of reliability. To help achieve these objectives, HCE prepares a Financial Work Plan each year which is a detailed blueprint of projected energy sales, revenues, cost of power, operating costs and projected plant expansion.

To look further into the future, a 20-year Long Range Financial Forecast is also prepared and updated annually.

**Once again, HCE exceeded all lender required financial and operating ratios.**

## STATEMENT OF NON-DISCRIMINATION

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs).

Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.), should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html), and at any USDA office, or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

1. Mail: U.S. Department of Agriculture  
Office of the Assistant Secretary for Civil Rights  
1400 Independence Avenue, SW  
Washington, D.C. 20250-9410;
2. Fax: (202) 690-7442; or
3. Email: [program.intake@usda.gov](mailto:program.intake@usda.gov).

USDA is an equal opportunity provider, employer, and lender.

HCE is an equal opportunity provider and employer.

# DIRECTOR ELECTION

Earlier this year, a Notice of Right to Nominate Directors was published in seven newspapers of general circulation in HCE's service territory. Five individuals posted nominations with HCE.

One petition was received for the Southern District Director position from incumbent Director Robert H. Gardner.

Four petitions were received for the Northern District Director position: Kenneth L. Wise, Adam L. Palmer, George A Wilson and Kristen N. Bertuglia.

In recognition of a non-contested election in the Southern District, incumbent Director Robert H. Gardner will be reelected for another three-year term by acclamation.

You may vote for two of the four Northern District nominees by mail or in person at the Annual Meeting. If you choose to vote by mail, you must mark the enclosed ballot in accordance with the voting instructions listed on the blue Secrecy Sleeve. Your marked ballot must then be placed in the Secrecy Sleeve and mailed to the certified public accounting firm, Tapp & Associates Inc., in the enclosed pre-paid return envelope. The return envelope must be signed by the Member. Return envelopes not signed by the Member shall not be counted.

**Your ballot, whether sent by mail or hand delivered, must be received by Tapp & Associates Inc. on or before Wednesday, May 30, 2018 by 6 p.m.**

## NORTHERN DISTRICT CANDIDATE PROFILES



**KENNETH L. WISE**  
Member since 2016  
Edwards, CO

I was raised in rural Iowa, spent the majority of my working career in Minnesota, and resided/worked in Europe the last five years of my career. Recently retired, my wife and I now make our permanent home in the Vail Valley. We are active in our local community, serve on the Riverwalk Property Owners and Emerald Building HOA boards, volunteer at the Vail Symposium and the Vilar Performing Arts Center, and enjoy skiing, hiking and all things outdoors!

My entire 38 year professional career was spent as a CPA working with one of the world's largest public accounting firms. I served a wide range of companies, both public and private, across many different industries/geographies. Importantly, I spent significant time working with member owned businesses and cooperatives and was very active

in the National Council of Farmer Cooperatives and the National Society of Accountants for Cooperatives.

I am seeking election to the Board of HCE because I believe strongly in its mission to provide members with the best possible services at a reasonable and competitive cost consistent with sound business and environmental practices. I am passionate that boards should be made up of individuals with diverse skills and experiences and believe my strong financial and business background will compliment and balance the skills of current board members.

I would like to use my background, skills and sincere interest to serve HCE and its members. I respectfully request your vote and appreciate your consideration.



**ADAM L. PALMER**  
Member since 1996  
Eagle, CO

Over the past nine years it's been an honor to serve on the Holy Cross Board of Directors to provide reliable, environmentally friendly, low-cost power to our members.

I've been lucky enough to live in the Eagle Valley since 1997, and as Sustainable Communities Director for Eagle County, WECMRD soccer coach, president of the Hardscrabble Trails Coalition, and father of two girls, I'm able to represent the values of local working families on the Board.

As we navigate an evolving power supply market, develop our diversified energy portfolio to meet our renewable energy goals, energy efficiency plan to help homeowners and businesses save money, innovative low income programs that help local families keep the lights on, and consumer-centric business plan to expand dialogue with members like you, I look forward to continuing to represent you while serving on the Board of Directors for HCE.



**GEORGE A. WILSON**  
Member since 2005  
Gypsum, CO

Providing energy is a fine line between protecting our environment for future generations while balancing low costs for all members. I have humbly served our community as a public servant since 1996 as a Firefighter, Lieutenant, Battalion Chief and currently serve as Division Chief of Planning and Logistics for Eagle River Fire Protection District.

With well over 10 years experience serving as a board member on various, elected community boards representing core values, balancing budgets with innovation and the interest of our neighborhoods and community.

I recently participated in a collaborative effort between the Town of Avon and Eagle River Fire to provide solar energy to the new public safety facility that houses the Police and Fire Departments.

As Chief of Planning and Logistics, my experience will facilitate a cooperative partnership between HCE and the community. A partnership which will research and execute upon technological progression, while balancing cost savings. I respectfully ask for your vote and opportunity to become your voice in providing ongoing excellence in service to our Members.



**KRISTEN N. BERTUGLIA**  
Member since 2010  
Edwards, CO

For the past 6 years it has been my honor to serve you as a HCE Director. In that time my fellow board members and I have led new initiatives that have positioned your cooperative utility as a clear leader in the industry and a community partner.

We have implemented successful energy efficiency and solar programs to allow our members control over the source and use of their electricity and will continue to analyze complex cost models and power sources to ensure we're making the best decisions on your behalf.

In 2017, approximately 39% of the power provided to you was from renewable energy, while maintaining excellent reliability and rates among the lowest in Colorado.

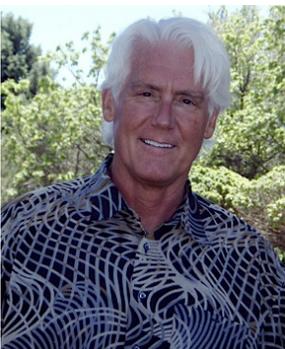
As the utility industry changes we are preparing to meet the challenges of the future; balancing

costs with reducing the environmental impact of electricity.

As environmental sustainability manager for the Town of Vail and a manager of the town's \$4 million energy efficiency overhaul, I ensure that taxpayer dollars are spent responsibly with maximum return on investment. My sixteen years' experience in energy management includes policy development, commercial efficiency projects, residential audits and retrofits, efficient building, and climate change mitigation.

I am excited to work with our new CEO, Dr. Bryan Hannigan, formerly of the National Renewable Energy Lab and our talented staff to continue to provide safe, reliable electric service and lead the way forward. I humbly ask for your vote to allow me to continue to contribute to our success. Thank you!

## SOUTHERN DISTRICT DIRECTOR PROFILE



**ROBERT H. GARDNER**  
Member since 2009  
Basalt, CO

I believe HCE's future as an electric power provider will be much different than our past. Consumers want more than reliable, competitively priced electricity, they want to see their power supply decarbonized, they want choices about how they use energy and they may not need the electric grid. The board, management and employees are working hard to make sure HCE is a successful member driven, service orientated provider of environmentally sound electric energy.

Over the last three years, HCE has kept electric rates among the lowest in the State of Colorado, received 39% of our 2017 power supply needs from renewable generation, increased our Member communication efforts and maintained a high level of electric system reliability.

We have a staff of experienced, skilled and dedicated employees who make things happen for the benefit of our Members.

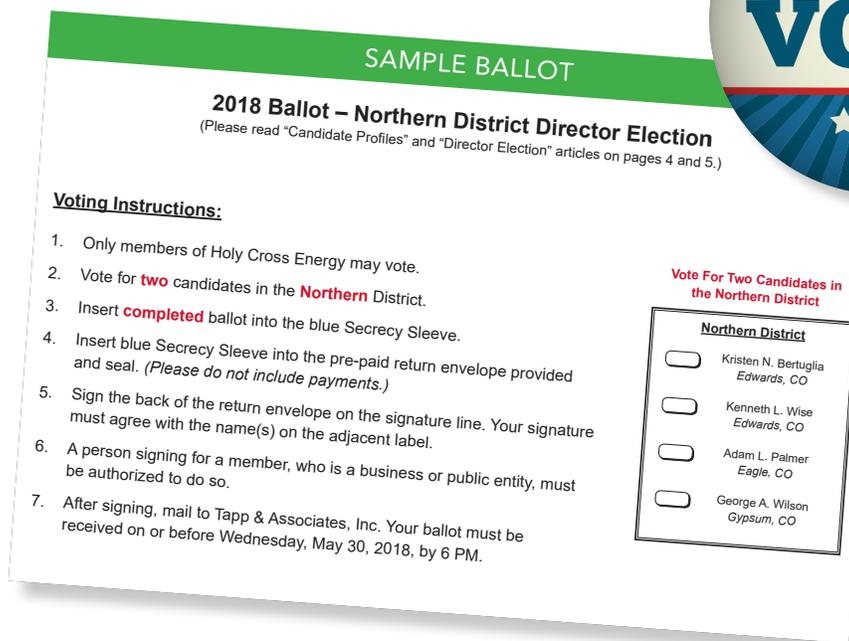
I am a life-long resident of this region of Colorado. I attended school in Carbondale, Glenwood Springs and graduated from Colorado State University. I raised my children here and spent most of my working career employed by HCE. I have been involved with non-profit and community organizations in both the Eagle River and Roaring Fork valleys.

I will continue to dedicate my energy, education, experience, knowledge and understanding of HCE's consumers and service territory, along with my commitment to provide reliable electric service at a competitive cost with a low or zero carbon footprint, to keep HCE the leading member-owned electric utility it is today.

# SAMPLE BALLOT



## NORTHERN DISTRICT CANDIDATES



## THE 7 COOPERATIVE PRINCIPLES

AS A COOPERATIVE, HCE IS GUIDED BY AND OPERATES IN ACCORDANCE WITH SEVEN BASIC PRINCIPLES.

**1 VOLUNTARY AND OPEN MEMBERSHIP**  
Membership in a cooperative is open to all persons who can reasonably use its services and stand willing to accept the responsibilities of membership, regardless of race, religion, gender, or economic circumstances.

**2 DEMOCRATIC MEMBER CONTROL**  
Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Elected representatives (directors/trustees) are elected from among the membership and are accountable to the membership. In primary cooperatives, like HCE, members have equal voting rights (one member, one vote); cooperatives at other levels are organized in a democratic manner.

**3 MEMBERS' ECONOMIC PARTICIPATION**  
Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital remains the common property of the cooperative. Members allocate surpluses for any or all of the following purposes: developing the cooperative; setting up reserves; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

**4 AUTONOMY AND INDEPENDENCE**  
Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control as well as their unique identity.

**5 EDUCATION, TRAINING AND INFORMATION**  
Education and training for members, elected representatives (directors/trustees), CEOs, and employees help them effectively contribute to the development of their cooperatives. Communications about the nature and benefits of cooperatives, particularly with the general public and opinion leaders, helps boost cooperative understanding.

**6 COOPERATION AMONG COOPERATIVES**  
By working together through local, national, regional, and international structures, cooperatives improve services, bolster local economies, and deal more effectively with social and community needs.

**7 CONCERN FOR COMMUNITY**  
Cooperatives work for the sustainability development of their communities through policies supported by the membership.

# FINANCIAL INFORMATION

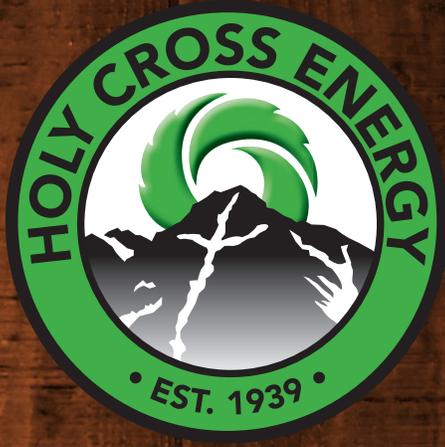
COMPARATIVE BALANCE SHEET		
ASSETS:	12/31/2016	12/31/2017
Total Utility Plant	408,189,365	417,001,516
Less: Reserve for Depreciation	125,399,636	134,408,750
Net Utility Plant	282,789,729	282,592,766
Investments in Assoc. Organizations:		
- Patronage Capital	4,418,939	4,862,669
- Other	3,077,945	3,063,533
Investments in Subsidiary Companies	8,923	8,923
Cash in Bank	11,270,903	8,721,502
Temporary Cash Investments	2,072	2,072
Notes and Accts Receivable Net	10,300,071	10,862,557
Materials & Supplies	3,376,298	3,707,225
Non Utility Property-Net	1,244,550	1,192,326
Deferred Debits	346,120	4,983,510
Other Assets	3,277,159	3,981,857
<b>TOTAL ASSETS</b>	<b>320,112,709</b>	<b>323,978,939</b>
<b>LIABILITIES:</b>		
Long Term Debt RUS/FFB	31,838,414	0
Long Term Debt CFC	138,625,437	170,026,483
<b>Total Long-Term Debt</b>	<b>170,463,851</b>	<b>170,026,483</b>
Patronage Capital	72,589,085	71,398,481
Other Margins & Equities	42,101,163	44,300,476
Accounts & Notes Payable	9,988,814	14,524,741
Consumer Deposits	558,722	509,416
Deferred Credits	14,867,532	13,834,903
Other Current Liabilities	9,543,542	9,384,439
<b>TOTAL LIABILITIES</b>	<b>320,112,709</b>	<b>323,978,939</b>

STATEMENT OF OPERATIONS	
Year Ending December 31, 2017	
Operating Revenues:	
Residential Sales	66,437,706
Commercial Sales	52,153,026
Public Lighting	114,267
Other Electric Revenue	3,132,052
<b>Total Operating Revenue</b>	<b>121,837,051</b>
Operating Expenses:	
Power Production Expense	10,349,621
Cost of Purchased Power	49,343,387
Transmission Expense	2,414,864
Distribution Expense:	
- Operations	10,978,962
- Maintenance	5,088,750
Consumer Accounts Expense	3,638,942
Consumer Service/Information/Sales Expense	2,148,158
Administrative & Gen Expense	10,985,161
Depreciation Expense	12,592,360
Interest on Long Term Debt	8,383,369
Interest Expense Other	1,717
Other Deductions	0
<b>Total Operating Expenses</b>	<b>115,925,292</b>
<b>Net Margin from Operations</b>	<b>5,911,759</b>
Other Margins:	
Interest Income	224,682
Income From Equity Investments	0
Other	800,043
<b>TOTAL MARGIN FOR YEAR 2017</b>	<b>6,936,484</b>

## OPERATING STATISTICS

	1950	1960	1970	1980	1990	2000	2010	2014	2016	2017
Revenue per kWh sold (\$)	0.0476	0.0354	0.0256	0.0423	0.0657	0.0640	0.0845	0.0998	0.0980	0.1019
Cost of purchased power (\$) (1)	0.0024	0.0076	0.7597	10.310	29.350	27.919	61.862	72.734	69.630	69.310
Cost per kWh purchased (\$)	0.0115	0.0075	0.0110	0.0312	0.0438	0.0302	0.0520	0.0589	0.0567	0.0576
Power as a % of revenue	31%	26%	42%	76%	70%	48%	59%	60%	58%	57%
Number of employees	9	14	39	82	117	154	158	157	155	157

Value denoted in millions of dollars



*- You're Invited -*

# 2018 Celebration & Annual Meeting



## SCHEDULE OF EVENTS | THURSDAY MAY 31, 2018

4:30 p.m.	Doors open for registration; kids activities & fun
5:00 – 6:15 p.m.	BBQ dinner catered by Slow Groovin' BBQ
6:30 p.m.	Business meeting
7:30 p.m.	Prize drawing

## RSVP & SPECIAL ARRANGEMENTS

To RSVP, make your meal reservation or notify us of special arrangements (hearing, visual or physical impairment concerns), please RSVP:

Phone:  
(970) 945-5491

Online:  
HolyCross.com

Please RSVP by 4:30 p.m. on May 25, 2018

## LOCATION

Crown Mountain Park  
395 Valley Road, El Jebel, CO  
CrownMtn.org



## REMINDERS

- 1 Before you vote, please read the Northern District Candidate Profiles.
- 2 Make sure you sign the back of the pre-paid return envelope on the signature line.
- 3 Join us at the 2018 Celebration and Annual Meeting on May 31 at Crown Mountain Park.