

# A Year in Review

Holy Cross Energy  
2018 Annual Report





**MEGAN GILMAN**  
*Chairman of the Board*

## A NOTE FROM YOUR BOARD CHAIR

*As we mark Holy Cross Energy's 80th anniversary, we have much to celebrate.*

We have a tremendous history of engaged members, dedicated staff and thoughtful directors who have made our continued success possible. We sincerely appreciate the 12 years of dedicated service Mike Glass has provided as a Northern District Director. We also appreciate you, our members, for whom HCE exists to serve with electric products and services that improve your quality of life.

In September 2018, we were proud to announce our Seventy70Thirty plan, an industry-leading goal to cut greenhouse gases in your power supply by 70% and increase your renewable energy to 70% by 2030. We aim to achieve this while keeping power costs at or below what we would have otherwise paid.

The Board is happy to report that we are well on our way to making this goal a reality and HCE's rates remain among the lowest in Colorado.

In addition to the significant changes in our power supply, we've continued to offer you the same great service you have come to count on – an incredibly reliable electricity source with a wholehearted focus on the safety of our team and our community. We are taking proactive measures to reduce the risk of fires and improve the resiliency of our system and continue to offer programs to help our members improve their efficiency, save money, and select their power supply sources.

HCE remains financially healthy, reliable and affordable, all while making huge strides towards a much cleaner power supply. Our members' involvement and feedback are critical to our success, as we work together to lead the responsible transition to the clean energy future.



**BRYAN HANNEGAN**  
President & CEO

## A NOTE FROM YOUR CEO

*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.*

For the last 80 years, we have played an essential and vital role in your life, one you depend on each day for light, heat, communications, health and well-being. 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 very long – without electricity.

As we look ahead to the next 80 years, we see a rapidly changing mix of energy resources and new technologies. Both here in our HCE territory, and around the world, we are seeing that future electric systems will likely be dominated not by

big power plants and large electric transmission lines, but instead by solar panels, wind turbines, 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, a cleaner power supply, and new energy services that can better meet your needs. Together, we can embark on a responsible journey to a cleaner

energy future, one that preserves our 80-year legacy of safe, affordable and reliable power even as we embrace the new opportunities to become more sustainable in the years ahead.

***On behalf of all of us at HCE, thank you for being a Member and allowing us to serve you.***

# OUR STORY

## *Holy Cross Electric Association, Inc.*

was organized in 1939 by a strong and independent group of farmers and ranchers in the Roaring Fork and Eagle River valleys to bring electric service to these rural areas for the first time. There were ten original Directors, two of whom were women. “Holy Cross” was accepted as the official name of our Rural Electrification Administration (REA) cooperative at the first official meeting.

In September of 1941, the first lines were energized, bringing the benefits of electricity to about 175 families in the Roaring Fork and upper Eagle River Valleys.

Power was extended in 1950 to portions of the lower Roaring Fork Valley, Cattle Creek, Spring Valley, Woody Creek, Crystal River Valley, Fryingpan, and Sweetwater. Eventually, in 1958, it was extended to the upper Vail Valley, Gunnison County, and Marble.

Today, Holy Cross Energy (HCE) is a not-for-profit cooperative with 160 employees serving more than 43,000 members. HCE proudly serves its members from farms, ranches, and friendly rural communities to major ski resorts.

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

***Our Vision:*** Holy Cross Energy is leading the responsible transition to a clean energy future.

## OUR HCE BOARD OF DIRECTORS

**Megan M. Gilman**, Chair  
**David C. Munk**, Vice Chair  
**Robert H. Gardner**, Secretary  
**Michael Glass**, Treasurer  
**Kristen Bertuglia**, Director  
**Clemons Kopf**, Director  
**Adam L. Palmer**, Director



*A special thanks to Michael Glass, who is retiring from the board after 12 years of service.*

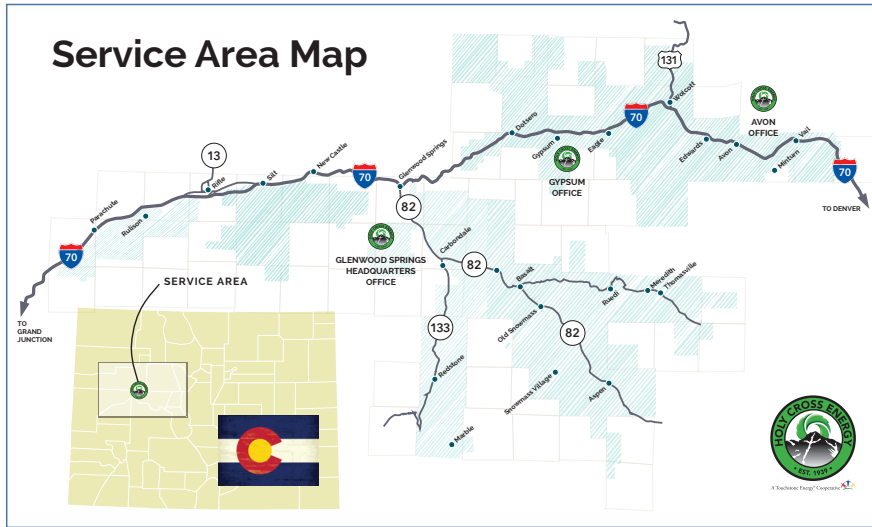
### ***HCE Board of Directors are elected from the members, by the members.***

Directors have the responsibility of setting strategic direction for the cooperative. Directors are required to represent the membership on a fair and impartial basis for the best interest of all members.

Our directors are knowledgeable and capable leaders who are passionate about their responsibility. They make decisions that will benefit today's membership, while also planning to meet the needs of the communities we serve.



**What are electric cooperatives?** Cooperatives are based on values like those we subscribe to individually, including self-responsibility, democracy, equality, honesty and social responsibility. In addition to these common values, seven basic principles serve as guidelines to provide a democratic structure for our electric cooperative.



**Where we get your power.** Traditionally we receive the majority of our wholesale power from Xcel Energy. HCE is unique in that we also own 8% of a coal-fired power plant in Pueblo, CO. Over the course of 2018, the Power Supply team worked with Guzman Energy to develop a new 100-megawatt (MW) wind farm and a new 30 MW solar array. This effort will significantly increase the amount of renewable energy in our power mix. We will continue to receive some of our power from Xcel Energy and they will remain a valued energy supplier.

## **The Seven Cooperative Principles**

- 1. Cooperatives are not-for-profit**, owned and controlled by our members.
- Our electric cooperative is unique because **we belong to the communities** we serve.
- We return savings to our members. When the cooperative collects more revenue than required for operation, **we return excess funds to member in the form of member equity**.
- We are democratically controlled.**  
A Board of Directors, elected by our members, governs our cooperative.
- We offer voluntary and open membership to anyone in our services territory**, regardless of race, sex, national origin, religion or political affiliation.
- We are committed to communicating and educating our members.**
- We cooperate with other cooperatives.**  
We serve our members most effectively by working with other cooperatives through local, national, regional and international structures.

# HOW WE GIVE BACK

## *Empowering through education.*

We're connecting with our youth through safety and energy efficiency education programs. In 2018, our education program reached over 750 students (grades 4-8) from 14 different schools. Students learned about energy sources, energy efficiency and electrical safety.



*Youth interacting during electrical safety presentation.*

In addition, lineworkers, human resources and community relations employees discussed opportunities in the utility industry with high school students at Career Days throughout our territory.

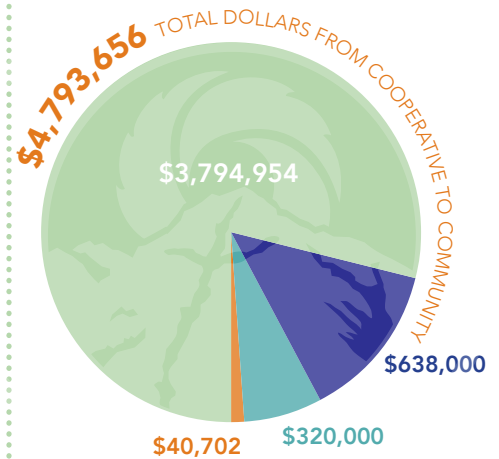
We were able to talk with students from over ten high schools.

Our participation in Career Days has prompted two different pilot programs for high schoolers: one is a hands-on experience called, "A Day in our Boots" and the other is a round-table discussion with lineworkers and electricians.

## *Making a difference in Guatemala.*

HCE along with other Colorado electric cooperatives, Oklahoma cooperatives and The National Rural Electric Cooperative Association (NRECA) International participated in an electrification project, in Guatemala. Fifteen volunteer lineworkers were selected for this project, including HCE's Christian Baker and Chet Stickler.

*"Being a part of NRECA's philanthropic movement was one of the most humbling and rewarding experiences of my professional career." - Chet Stickler*



SPONSORSHIPS

ROUND-UP DONATIONS

COMMUNITY  
ENHANCEMENT FUNDS

CAPITAL CREDITS

# LEADING CLEAN ENERGY

*In addition to our 2018 Seventy70Thirty plan renewable energy and greenhouse gas reduction goals, HCE offers member incentives and programs to use electricity more efficiently, generate their own electricity and use 100% clean energy.*

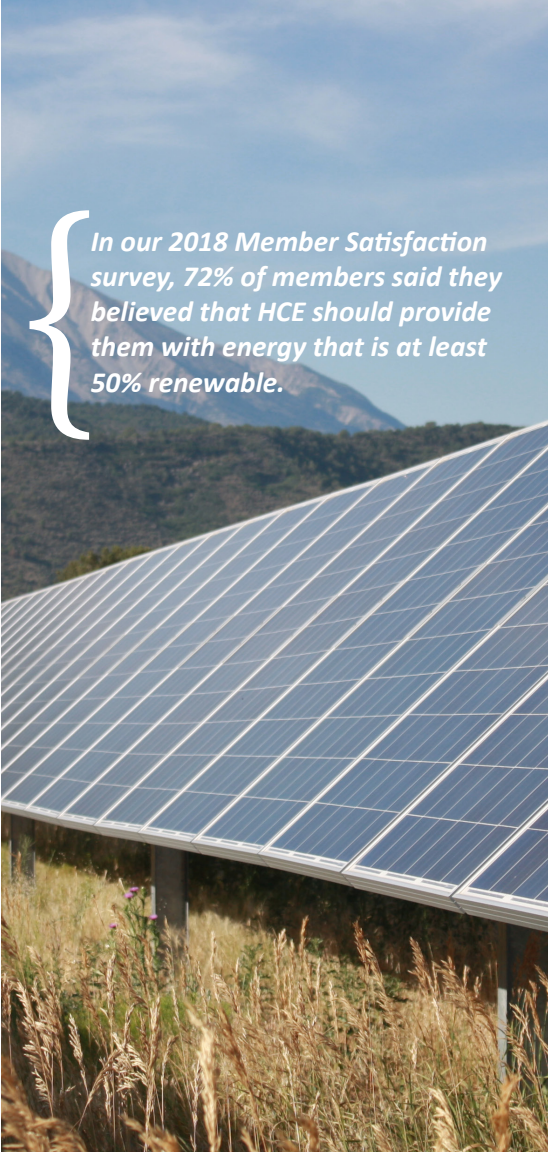
**PuRE Power, powered by 100% renewable energy** – provides members with the option to pay a small premium on their bill to have their energy use offset with energy from renewable resources.

Through this program members can contribute to a clean energy future and help HCE reach its long-term renewable goals. Because HCE power supply is already 39% renewable, we have lowered the amount of renewable energy individuals need to purchase to become a 100% clean energy user.

Members are now only responsible for the remaining 61% if they choose to offset their usage with 100% renewable energy. And as the HCE power supply becomes increasingly renewable the cost of this program will continue to decrease for our members.

**Rooftop Solar** – The goal of our rooftop solar rebate program is to facilitate up to 2 MW per year of solar electricity generated at our members' homes and businesses. By connecting renewable generation systems to our grid, members can benefit from net metering and clean energy. Net metering reduces the purchase of energy from the grid, and in some cases can result in credits to homeowners or businesses for extra electricity added to the grid from their renewable energy source, such as solar panels.

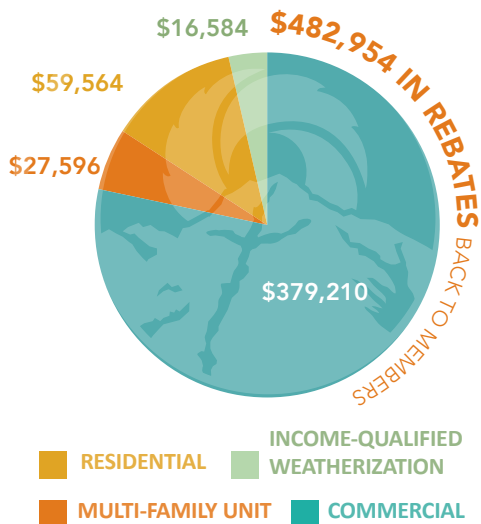
Whether it's lowering electric bills, helping fight climate change, or increasing home values, our commitment to supporting our members' desire to add rooftop solar remains strong. Last year, we rebated over \$1.3 million to member-owned solar photovoltaic (Solar PV) rooftop systems, with one of the most generous utility rebate



*In our 2018 Member Satisfaction survey, 72% of members said they believed that HCE should provide them with energy that is at least 50% renewable.*



*Based on our 2018 Member Needs Assessment, 43% of members surveyed were interested in Electric Vehicles and Charging Stations.*



incentives in the United States. We're on track to exceed our goal of adding 2 MW of member-owned solar – largely due to our progressive solar incentive program.

**Energy Efficiency** - Energy efficiency means delivering the same (or more) services using less energy. This in turn saves money and reduces the environmental burden imposed by older power supply sources and their emissions impact. Our commercial and residential energy audits help discover ways members can reduce their electric usage.

We also provide rebates to our members for the purchase of energy efficient appliances and devices. Last year we met our goal of reducing our membership's energy usage by 0.5% through rebates and also by conducting 207 residential audits that provided advice on high bill concerns and energy efficiency tips.

**Electric Vehicles (EVs)** - Our EV programs aim to meet a broad range of member needs. We support cost-effective home and workplace charging, and are helping to develop a localized network of fast chargers

to reduce concerns about running out of charge ("range anxiety"). We are working with regional mass transit providers to address their needs and create benefits for our members and local communities.

In 2018, we launched our *Charge at Home. Charge at Work.* Program offering rebates to offset the cost of Level 2 chargers. Level 2 chargers provide faster charging than simple plug outlets. Chargers can be programed to take advantage of off-peak rates and reduce the cost of transportation for our members.

Under this new program, HCE will pay for the professional installation of an EV charger at your home or business, as well as ongoing maintenance of the EV charger. HCE will recover those costs through a 36-month fixed charge on your bill.

HCE will also provide rebates to offset the purchase cost of up to two EV chargers per residence and up to four EV chargers per workplace under this new program.



# SAFETY AND OPERATIONS

***Our culture of safety.*** A culture of safety is a difficult thing to measure, but it's essential for an electric utility like HCE. From our early days we have made safety our priority. Over the years we have developed a culture of safety that includes:

- Year-long online training for all employees
- Incident reporting on both near misses and actual events
- Rigorous maintenance on equipment, vehicles, etc.
- Required safety presentations and events
- Participation in statewide and national safety summits.



Last year HCE joined other rural cooperatives in the Commitment to Zero Contacts program, created by the Federated Rural Electric Insurance Exchange to provide cooperative CEOs, senior leaders, and field personnel with ideas and resources to help eliminate serious injuries and fatalities due to electrical contact. As of April 2018 more than 300 cooperatives across the US have pledged their Commitment to Zero Contacts.

***How we get power to you.*** Maintaining the poles and wires can be a difficult task, especially in Western Slope terrain. With over 1,000 miles of overhead powerlines, and nearly 2,000 miles of underground powerlines, extreme weather and rugged terrain make a difficult task even harder.

Our line crews, tree trimmers and construction personnel are highly trained and adaptable professionals who do what it takes to keep the lights on.

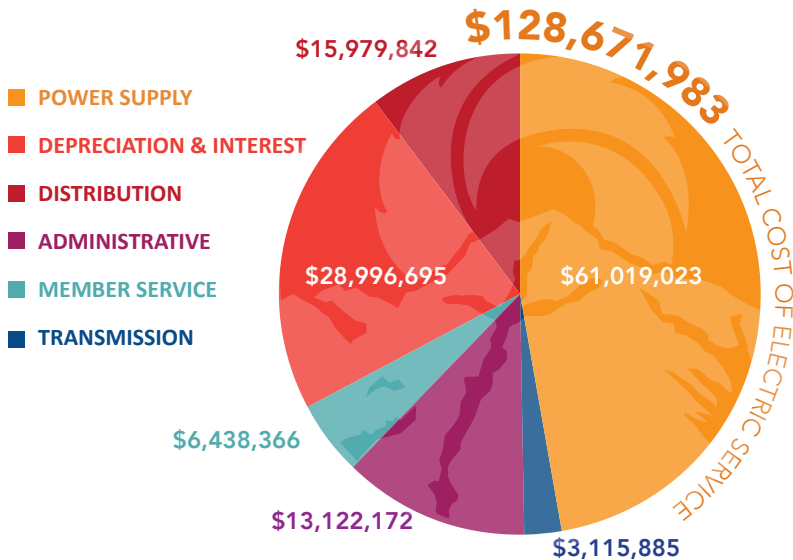
Last year, the Lake Christine fire burned 12,500 acres and threatened electrical service to the upper Roaring Fork Valley. In response to this and other potential threats, HCE has taken steps to reduce risk through fire mitigation measures such as the use of new technologies and devices, increased line maintenance, vegetation management and the use of visual and infrared inspections.



*Lineworkers conducting pole and line maintenance.*

# OUR FINANCIAL HEALTH

*Thanks to a colder than normal start to the winter, HCE had another strong financial year in 2018.* Our total revenues were \$135,227,600 versus a total cost of electric service of \$128,671,983, leaving an operating margin of \$6,555,617. This allowed us to continue to build member equity in HCE, even as we refunded \$3.5 million of your past investments to you in the May and December 2018 disbursements.



Since our founding, HCE has retired \$152.5 million to its members like you, making HCE one of the electric cooperatives with the highest percentage of operating margins returned to its members. Our positive financial also allowed us to maintain our lender-required financial ratios, giving us continued access to low-cost debt financing for future investments in our infrastructure.

*In 2018, HCE also completed a cost of service study which verified that our rates and tariffs accurately capture the costs of serving different classes of our members (residential, general service, etc.).* Throughout the fall, the HCE Board worked with our hired consultants to develop changes to our rate structure to help us keep pace with the changing costs of our business. The resulting modest changes to our rate structure will be minimal and designed to be revenue-neutral for the cooperative as a whole, although individual members may see some bill impact depending on their patterns of electricity usage.

Our Member Services team will be standing by to help any member who wishes to better manage their energy costs with one of our new, innovative technologies or program options included in this year's rates and tariff changes.

# OUR BALANCE SHEET

ASSETS	2017	2018	LIABILITIES & EQUITY	2017	2018
Total Utility Plant	\$ 417,001,516	\$ 428,815,486	Long Term Debt RUS/FFB	-	-
Less: Reserve for Depreciation	134,408,750	149,308,704	Long Term Debt CFC	\$ 170,026,483	\$ 164,157,886
Net Utility Plant	282,592,766	279,506,782	Long Term Debt- Unapplied		
Investments in Assoc. Organizations Patronage Capital	4,862,669	5,395,643	Total Long Term Debt	170,026,483	164,157,886
Investments in Assoc. Organizations other	3,063,533	3,044,087	Patronage Capital	71,398,481	73,567,441
Investments in Subsidiary Companies	8,923	8,648	Other Margins & Equities	44,300,476	46,527,821
Cash in Bank	8,721,502	7,427,823	Accounts & Notes Payable	14,524,741	14,533,955
Temporary Cash Investments	2,072	2,072	Consumer Deposits	509,416	449,699
Notes and Accts Receivable Net	10,862,557	11,991,689	Deferred Credits	13,834,903	12,588,858
Materials & Supplies	3,707,225	3,741,292	Other Current Liabilities	9,384,439	9,287,474
Non Utility Property-Net	1,192,326	1,145,879	<b>Total Liabilities</b>	<b>\$ 323,978,939</b>	<b>\$ 321,113,133</b>
Deferred Debits	4,983,510	(95,740)			
Other Assets	3,981,857	8,944,959			
<b>Total Assets</b>	<b>\$323,978,939</b>	<b>\$321,113,133</b>			

*Libby and Guy  
receive awards.*

**Going above and beyond.** Every year HCE recognizes two exceptional employees who have embraced the on-going commitment to HCE's mission, vision and core values.

**Libby Cowling**, design engineer, was the recipient of the 2018 Ed Grange Award of Excellence. Libby, was named one of the "finest HCE employees" due to her willingness to work with all departments, communication skills when talking to members and her dedication to tasks large and small.

**Guy Ryan** was named the recipient of the 2018 Larry Shaffer Award of Excellence. Guy, repair shop foreman, was nominated for his pro-active work ethic, positive attitude and approachability. "He literally kept the wheels turning!" Both employees were recognized at our 2019 first quarter all-employee meeting.

