

IREA 2020 ANNUAL REPORT

MESSAGE FROM THE OUTGOING CEO



PATRICK MOONEY

2020 was a year of unprecedented challenges. More than ever, the customers of Intermountain Rural Electric Association needed reliable electric service. I am proud of how IREA and its employees responded to provide service you could count on.

IREA delivered services and managed accelerating growth despite pandemic constraints. We closed our public customer service desks much of the time, but phone and internet customer services continued even as employees moved to remote work. Most of our administrative staff worked remotely for much of 2020, while our field personnel took additional safety and health precautions and worked throughout the year. We continued to provide affordable, reliable electric service, even as our system grew to serve more than 165,000 customers.

The pandemic was not our only challenge. A major source of the energy we provide to our customers, Comanche Unit 3, was out of operation for nearly all of 2020, which significantly increased our power cost. We deferred much of that cost, but a temporary power cost adjustment was required to be

billed. We are moving to recoup the additional costs from the plant operator, Xcel Energy. We also contended with Colorado's unpredictable weather – including a rare derecho in June – which tested our grid and caused service interruptions. Our crews responded quickly and efficiently to outages when they occurred, and our ongoing system improvements, including the recent completed Advanced Metering Infrastructure (AMI) project, will help IREA minimize outages going forward.

My retirement is effective April 1. I depart IREA after 11 years and leave the association in the very capable hands of new CEO Jeff Baudier, your elected board of directors, an experienced management team, and a dedicated, skilled staff. I am confident they will continue IREA's high level of service and follow through on its many ongoing efforts, including additional investments in renewables, significant system improvements and continuous improvement of excellent customer service.

It has been my honor to work with the people of IREA to serve our customers. I wish you and yours the very best as we all move through this trying period.

MESSAGE FROM THE INCOMING CEO



JEFF BAUDIER

I am honored to have been selected to serve as IREA's next CEO, and our family is incredibly excited to become Coloradans. I am a native New Orleanian and lived in Louisiana pretty much my whole life. My wife, Cherie, and I have been married for 28 years and we have three boys ranging from ages 26 to 17. My career in the electric utility business includes roles at NRG Energy and CLECO, during which I served all 10 electric coops in Louisiana, as well as others in Texas and Mississippi.

I arrive at IREA after a very challenging year in which many of you experienced loss and uncertainty. Despite the difficulties of 2020, Patrick, IREA's employees and the board of directors have positioned the association for long-term success. Having worked in both unregulated and regulated power companies, I believe the co-op model has unique advantages in today's electric industry, when consumers seek greater control over how you manage delivery of your electricity. And I believe that

IREA especially is poised to be not only the premier power supplier in Colorado, but also a model for the nation.

We have some major priorities that are already under way, including continued system improvements, additional investments in renewable energy and enhancements to all aspects of service. You can also expect IREA to play an even greater role at the core of your families' lives and in the communities we serve, expanding our social contributions and partnering with residents, businesses and local governments to help our communities thrive.

If this crisis has taught us anything, it is that we are all in this together. Unity will be IREA's guiding principle. I thank IREA's board of directors for this opportunity, and Patrick for his decade at the helm of this great organization. Together they have made the future bright for IREA. I look forward to meeting you and cannot wait to see what we do together.

MESSAGE FROM THE BOARD PRESIDENT



TIMOTHY WHITE

2020's challenges prompted us to make even bigger commitments to the communities we serve. We ramped up our efforts relating to Energy Outreach Colorado and again matched customer contributions dollar-for-dollar. We also matched customer donations to Help Colorado Now; aided blood, food and clothing drives; contributed to hundreds of local organizations and programs; returned \$16.1 million in capital credits, and created our own employee volunteer program, IREA Cares.

IREA also said goodbye to a good friend and longtime member of its board of directors with the passing of James "Duke" Dozier last year. Duke's legacy will carry on among those of us who knew him. We welcomed Ron Kilgore to the board in September. Ron has already proven to be a strong advocate for members in his district and welcome addition to IREA's board.

We anticipate a return to normalcy in 2021, which for IREA means further strengthening the reliability of our grid, increased customer

service options and additional investments in renewable energy.

IREA would not be so well prepared for the coming years if not for our retiring CEO, Patrick Mooney. His legacy includes bettering the association through a new metering system, an outage management system, comprehensive vegetation management and fire prevention programs, renewable energy investments, grid modernization and improved customer service options. During his tenure, IREA remained strong financially and refunded customers \$120 million in capital credits.

My fellow board members and I selected Jeff Baudier to take Pat's place. Jeff has big shoes to fill, but we have every confidence in his ability to guide IREA through this next era. His expertise will be invaluable in the years to come.

The association's board will continue to act in our members' best interests and work to improve all aspects of your electric service.

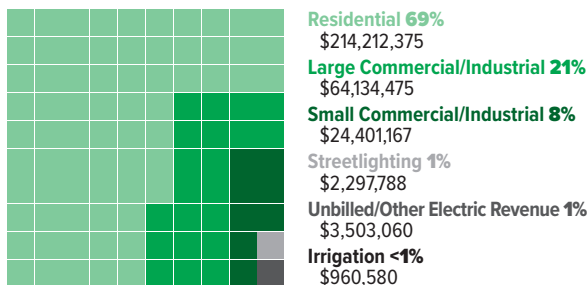
COVID-19: OUR SHARED CHALLENGE

The pandemic influenced many of the decisions made in 2020. Early in the year, the association suspended most disconnections of electric service for non-payment and waived disconnect notice fees. Because of remote work, IREA saw a significant increase in residential energy use, but our service remained reliable. We also began offering more flexible payment arrangements, which are still available to customers who face financial difficulties because of COVID-19.

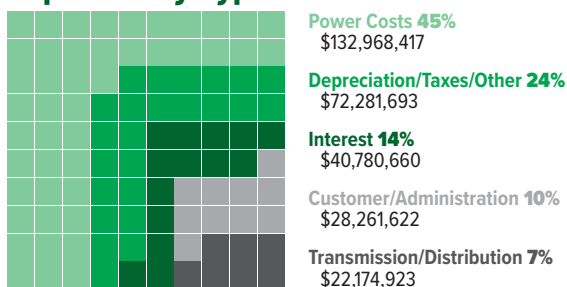
Customers experiencing financial hardship are encouraged to call Customer Service at (800) 332-9540 to discuss your options.

IREA offices temporarily closed for walk-in business and bill payments, but have now reopened. Payment drop boxes are available at all locations. For a list of free electronic payment options and the most up-to-date information regarding office closures, please visit our website, www.IREA.coop.

Sources of Revenue



Expenses by Type



Operating Statistics

	2020	2019
Active Services	165,422	161,814
kWh Generated, net	46,633,493	1,394,715,361
kWh Purchased	2,570,711,342	1,121,064,480
kWh Sold	2,508,998,609	2,401,189,164
Modified Debt Service Coverage Ratio	1.54 to 1	1.82 to 1
Equity as a % of Total Assets	29.25%	30.87%
Debt to EBITDA *	7.63 to 1	6.14 to 1
* Earnings before Interest, Taxes, Depreciation and Amortization		
Number of Employees	226	231
Number of Consumers per Employee	732	700

FINANCIAL PERFORMANCE



DEDE JONES
CHIEF FINANCIAL OFFICER

The association recorded a net margin of \$17.2 million in 2020, within 1.1% of the margin expected from the board-approved 2020 budget, compared to a \$30 million margin in 2019. Though financial results for the year were strong and preserved the key metrics required by our lenders, the year-long Comanche Unit 3 outage resulted in over \$25 million of additional costs paid out in 2020 that are being accounted for as expense over a three-year period from 2020 through 2022. Referred to as “regulatory balancing,” this accounting treatment allows us to minimize the extraordinary effect of the outage in a single year and lessen the impact to our customers.

The COVID-19 pandemic influenced IREA’s financial performance in several ways. We saw residential sales revenues increase by \$12.2 million and comprise 69% of total operating revenues – up from 67% in 2019 – while many of our customers stayed and worked from home. We saw related declines in sales to our commercial and industrial customers as businesses were closed and operations were scaled back to meet social distancing and other federal and state requirements. Overall, operating revenue increased \$9.55 million, or 3.2%.

The cost of electric service increased by \$23 million over 2019, largely due to power costs, which were \$13.7 million – or 11.5% – higher because of the outage. Depreciation and taxes accounted for \$6.6 million of the increase as our net utility plant assets grew by \$50.5 million. We made significant system improvements,

including implementation of Advanced Metering Infrastructure (AMI), and saw growth in our customer base with the addition of 3,608 active services. General increases in wages, benefits, outside services and costs associated with technology amounted to \$3.7 million. Interest expense on short- and long-term borrowings declined by 0.7% from the prior year as we continue to pay down debt and benefit from very low interest costs on our variable rate portfolio.

The number of association employees declined by five during the year, from 231 to 226, though we will fill needed positions in 2021. The ratio of consumers to employee – 732 to 1 – is among the best in our industry.

The association’s key financial metrics declined because of the lower margin in 2020 and as the association borrowed money to finance its capital expenditures. These ratios, however, remained above minimum requirements and within ranges required by our financial policy. The equity-to-assets ratio decreased to 29.25% from 30.87% in 2019. The ratio of debt to earnings before interest, taxes and depreciation (EBITDA) was up to 7.63 to 1 in 2020 from 6.14 to 1 in 2019. IREA borrowed \$75 million in long-term debt in 2020 at rates below 3%.

Because we realized a decent margin and intend to continue returning patronage capital to our members on a meaningful cycle, our Board of Directors authorized a capital credit retirement of \$9 million to customers in March 2021. IREA has returned over \$118 million to customers since 2013.

Balance Sheet

As of December 31 (Unaudited)

	2020	2019
Assets		
Utility Plant	\$ 1,092,897,090	\$ 1,042,409,958
Other Property and Investments	30,053,127	28,310,357
Current Assets	58,597,107	46,787,002
Deferred Assets	26,906,264	11,440,216
Total Assets	\$ 1,208,453,588	\$ 1,128,947,533
Liabilities and Equity		
Memberships and Patronage Capital	\$ 294,751,308	\$ 281,437,636
Margins and Other Equity	58,674,998	67,090,819
Total Equity	353,426,306	348,528,455
Long-term Debt	689,683,324	645,781,582
Other Non-Current Liabilities	31,188,383	22,783,325
Total Current, Accrued and Deferred Liabilities	134,155,575	111,854,171
Total Liabilities and Equity	\$ 1,208,453,588	\$ 1,128,947,533

Statement of Operations

For the year ended December 31 (Unaudited)

	2020	2019
Total Operating Revenue	\$ 309,509,445	\$ 299,956,304
Total Operating and Maintenance Expense	183,404,962	166,723,923
Depreciation and Amortization Expense	47,108,447	47,709,756
Tax Expense	15,200,105	14,100,000
Interest Expense	40,780,660	41,081,183
Other Expense	9,973,141	3,873,472
Total Cost of Electric Service	296,467,315	273,488,334
Operating Margin	\$ 13,042,130	\$ 26,467,970
Other Non-Operating Interest and Dividends	4,179,229	3,598,572
Total Margin	\$ 17,221,359	\$ 30,066,542

2020 HIGHLIGHTS

ADVANCED METERING INFRASTRUCTURE (AMI)

Implementation of AMI entered its final phase late in 2020 as we completed deploying more than 168,000 new meters throughout our service area. AMI has increased service reliability and streamlined our operations, reducing field visits by more than 38,000 in 2020. We now have real-time usage and outage information and can monitor voltage and blinks to help us address potential outages before they occur. We also can identify and address potential tampering and power theft in real time. IREA now is able to develop new cost-savings programs, pre-payment plans and additional rate structures designed to give customers choices that better suit their needs and usage patterns. Finally, AMI drives the My Power customer portal, which gives customers access to key power usage information.

MY POWER

My Power launched in the fall of 2020 and gives customers a better understanding of their energy usage. Customers may view usage data in hourly, daily and weekly increments, set up custom thresholds that enable notifications if energy use exceeds a specified amount, and use weather tracking to determine if a period of high energy use corresponds to a day of high or low temperatures. By the end of 2020, nearly 3,000 IREA customers were enrolled in and using My Power.

SYSTEM IMPROVEMENTS

IREA worked on significant improvements to portions of our system in 2020. Customers in and near Conifer, Bennett, Elizabeth, Lake George, Palmer Lake and many other areas we serve now have more reliable electric service because of these upgrades. We continue to identify and replace equipment that does not meet our updated standards as part of our wildfire mitigation plan, which also includes year-round vegetation management that both increases reliability and ensures safety.

COMMUNITY OUTREACH

IREA supported hundreds of local nonprofits and local charities in 2020 with monetary and in-kind donations. We again awarded higher education grants to 35 area graduating high school seniors; collected and recycled 4,000 pounds of unwanted string lights and donated the proceeds to Energy Outreach Colorado; collected nearly 600 winter coats for the annual Coats for Colorado program; contributed to food and blood drives; and hosted a hugely popular free shred event at our Sedalia headquarters. In 2020, we also established IREA Cares, which allows association employees to spend a workday volunteering at a local nonprofit or charity organization.

RENEWABLE ENERGY

Investments in utility-scale solar generation continued in 2020 as IREA's Board of Directors committed to additional

projects that will bring the association's potential solar generation to nearly 200 megawatts in 2022. Nearly half of that capacity was in operation or under construction by the end of 2020. In May, we completed a solar carport that generates more than 400 kilowatts of clean energy at our Sedalia headquarters. The number of residential solar interconnections grew significantly in 2020, too. By year's end, more than 3,700 rooftop systems were interconnected to IREA's grid, a jump of nearly 30% from 2019. Combined, those systems are rated at more than 21 megawatts of capacity.

CUSTOMER SERVICE

The number of service locations in IREA's service area increased by more than 3,600 in 2020. In December, we opened our new Bennett facility, which helps us better serve customers in the rapidly growing eastern portion of IREA's service area. Our Customer Services Representatives handled more than 130,000 calls in 2020 – an average of more than 500 per day – and 50,000-plus electronic inquiries. By the end of 2020, more than half of IREA customers were enrolled in electronic billing. Electronic customer payments reached 84%.

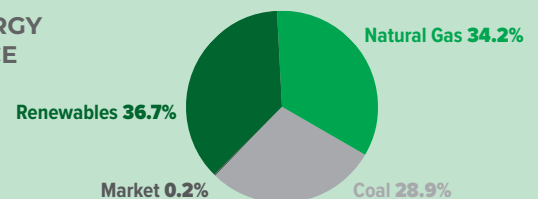
LEGISLATIVE OUTREACH

In 2020, our biggest focus was on the promotion of a regional transmission organization (RTO) in Colorado, which would improve reliability, reduce energy costs for customers, create jobs and cut down on emissions. IREA's work on this issue continues in 2021.

POWER SUPPLY

IREA is committed to providing electricity that is reliable, affordable and clean. In 2020, we further diversified our power supply mix with additional investments in renewables that make dependable energy available at or below our avoided cost, which is what IREA would otherwise pay for the same amount of energy from other sources. Also in 2020, the association formally issued a request for proposals for new power supply options to begin in 2026, after our current power purchase agreement (PPA) with Xcel Energy expires. We expect any new PPAs to provide the association flexibility in maximizing renewables without sacrificing reliability or affordability. We continued preparing for the anticipated early retirement of Comanche Unit 3, as we began accelerating depreciation on the plant in 2018 and have been planning a power supply future without it.

2020 ENERGY BY SOURCE



5496 N. U.S. Hwy. 85
Sedalia, CO 80135



(800) 332-9540
(7-7 M-F)



(844) IREA-FIX
(Outages 24/7)



www.IREA.coop



CustomerContact
@IREA.coop



@IREAColorado



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