

ANNUAL REPORT

Of

Company Name:
71 E. Hwy 56
Mailing Address: 0
Beryl UT
884714-5197
Docket No.: E-02044A
For the Year Ended:

**RECEIVED
BY EMAIL
04/08/2021, 2:59 PM
ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION**

ELECTRIC

To

Arizona Corporation Commission

Due on April 15th

Email: Util-Compliance@azcc.gov, mail or deliver the completed Annual Report to:
Arizona Corporation Commission
Compliance Section - Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

Application Type:
Application Date:

ARIZONA CORPORATION COMMISSION
 ELECTRIC UTILITY ANNUAL REPORT
 COMPANY INFORMATION

For the Calendar Year Ended: 12/31/20

Company/Business Name:	Dixie-Escalante Rural				
Mailing Address:	71 E Hwy 56				
City:	Beryl	State:	Utah	Zip Code:	84714
Telephone Number:	(435)439-5311	Fax Number:	(435)439-5352		
Email:	danej@dixiepower.com				

Management Contact					
Name:	Dane Johnson				
Title:	Controller				
Telephone No. :	(435)439-5311				
Address:	71 E Hwy 56				
City:	Beryl	State:	Utah	Zip Code:	84714
Email:	danej@dixiepower.com				

Name:					
Title:					
Telephone No. :					
Address:					
City:		State:		Zip Code:	
Email:					

Name:					
Title:					
Telephone No. :					
Address:					
City:		State:		Zip Code:	
Email:					

Name:					
Title:					
Telephone No. :					
Address:					
City:		State:		Zip Code:	
Email:					

Ownership:

Counties Served:

Important changes during the year

No	For those companies not subject to the affiliated interest rules, has there been a change in ownership or direct control during the year? If yes, please provide specific details in the box below.

No	Has the company been notified by any other regulatory authorities during the year, that they are out of compliance? If yes, please provide specific details in the box below.

SERVICES AUTHORIZED TO PROVIDE

	Yes	Electric
		Investor Owned Electric
	Yes	Rural Electric Cooperative
		Utility Distributed Company
		Electric Service Provider
		Transmission Service Provider
		Meter Service Provider
		Meter Reading Service Provider
		Billing and Collection
		Ancillary Services
		Generation Provider
		Aggregator/Broker

Other (Specify)

STATISTICAL INFORMATION

Retail Information

	Number of Arizona Customers	Number of kWh Sold in Arizona
Residential	2,387	29,197,068
Commercial	285	9,018,841
Industrial	0	0
Public Street and Highway Lighting	4	19,044
Irrigation	11	1,345,955
Total Retail	2,687	39,580,908

Wholesale Information

	Number of Customers	Number of kWh Sold
Resale		
Short-term Sales (duration of less than one-year)		
Total Wholesale	0	0

Total Sold	39,580,908	KW
Maximum Peak Load	166,164	KW
Distribution System Losses	10,236,620	KW
Distribution Losses	4.70%	AZ & UT
Transmission Losses	3.00%	AZ & UT
System Average Interruption Duration Index (SAIDI)	52	
Distribution System Losses	10,236,620	
Customer Average Interruption Duration Index (CAIDI)	92	
System Average Interruption Frequency Index (SAIFI)	56	

VERIFICATION AND SWORN STATEMENT (INTRASTATE REVENUE ONLY)

Verification:

State of Arizona I, the undersigned of the
(state name)

County of (county name):

Mohave

Name (owner or official) title:

Dane Johnson, Controller

Company name:

Dixie-Escalante Rural

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION.

FOR THE YEAR ENDING: 12/31/20

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

Sworn Statement: IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$3,240,731

(The amount in the box above includes

\$181,232 in sales taxes

billed or collected)

D. Johnson
signature of owner/official

(435)439-5311

telephone no.

SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC
IN AND FOR THE COUNTY

THIS

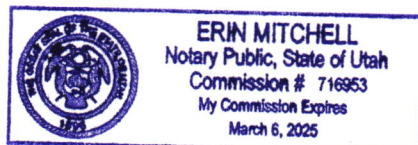
8th

DAY OF

Iron
(county name)
April, 2021
(month) and (year)

MY COMMISSION EXPIRES

3/6/2025
(date)



Erin Mitchell
(signature of notary public)

VERIFICATION AND SWORN STATEMENT (RESIDENTIAL REVENUE)

Verification:

State of Arizona I, the undersigned of the
(state name)

County of (county name): Mohave
Name (owner or official) title: Dane Johnson, Controller
Company name: Dixie-Escalante Rural

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION.

FOR THE YEAR ENDING: 12/31/20

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

Sworn Statement: IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

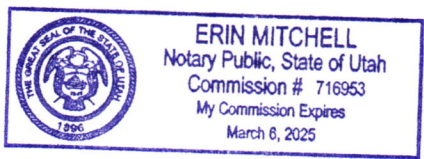
\$3,240,731
(The amount in the box above includes
\$181,232 in sales taxes
billed or collected)

D. J. L.
signature of owner/official
(435)439-5311
telephone no.

SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC
IN AND FOR THE COUNTY iron
(county name)

THIS 8th DAY OF April, 2021
(month) and (year)

MY COMMISSION EXPIRES 3/6/2025
(date)



Erin Mitchell
(signature of notary public)

Dixie-Escalante Rural
 ELECTRIC UTILITY ANNUAL REPORT
 UTILITY SHUTOFFS / DISCONNECTS
 12/31/20

UTILITY SHUTOFFS / DISCONNECTS			
Month	Termination without Notice R14-2-211.B	Termination with Notice R14-2- 211.C	Other
January		0	
February		0	
March		0	
April		0	
May		0	
June		0	
July		0	
August		0	
September		0	
October		0	
November		0	
December		0	
Total	0	0	0

Other (description):

No terminations in 2020 for any reason in AZ.

Instructions: Fill out the Grey Cells with the relevent information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

Pertinent numbers broken out for Arizona operations based on prior years' reports

	AZ	TOTAL
Balance Sheet Information		
Utility Plant in Service	\$8,844,339	\$152,549,676
Accumulated Depr	\$1,778,868	\$38,158,125
Net Utility Plant	\$7,065,471	\$114,391,551
Construction Work in Progress	\$313,599	\$15,534,871
Retirement Work in Progress	\$0	(\$4,323)
Net Total Utility Plant	\$7,379,070	\$129,922,099
Customer Advances for Construction	\$206,973	\$4,503,215
Supplementary Utility Plant Information		
Intangible Plant	\$0	\$550,000
Transmission Plant	\$2,125,333	\$47,794,150
Distribution Plant	\$6,051,326	\$66,393,722
General Plant	\$667,680	\$37,811,804
Total Utility Plant in Service	\$8,844,339	\$152,549,676
Construction Work In Progress	\$313,599	\$15,534,871
Total Utility Plant	\$9,157,938	\$168,084,547
Accumulated Depreciation		
Transmission	\$591,881	\$7,953,472
Distribution	\$1,104,928	\$13,917,570
General	\$82,059	\$15,764,583
Accumulated Amortization - Franchise	\$0	\$522,500
Retirement Work in Progress	\$0	\$4,323
Net Utility Plant	\$7,379,070	\$129,922,099
Statement of Net Income		
Purchased Power		\$22,828,816
Depreciation & Amortization Expense	\$219,079	\$3,936,156
Property Tax Expense	\$145,288	\$1,109,826
Preliminary Survey Charges	\$5,208	\$9,014

	AZ	TOTAL
Operating Revenues		
Residential Sales	\$2,428,745	\$27,986,705
Commercial Sales	\$678,893	\$9,612,689
Industrial Sales		\$1,699,467
Public Sales	\$22,153	\$101,040
Irrigation Sales	\$96,752	\$2,020,837
Total Sales	\$3,226,543	\$41,420,738
Other Operating Revenues	\$14,187	\$238,839
Total Operating Revenues	\$3,240,730	\$41,659,577

Statistical Information

Average Customers		
Residential Customers	2,387	21,659
Commercial Customers	285	2,398
Industrial Sales		1
Public Lighting Customers	4	112
Irrigation Customers	11	197
Total Ultimate Customers	2,687	24,367
Residential kWh Sold	29,197,068	362,747,737
Commercial kWh Sold	9,018,841	145,003,948
Industrial kWh Sold		25,724,432
Public Lighting kWh Sold	19,044	526,608
Irrigation kWh Sold	1,345,955	36,113,744
Total kWh Sold	39,580,908	570,116,469



DixiePower

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The power of human connections[®]



DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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HINTONBURDICK
CPAs & ADVISORS

Independent Auditors' Report

To the Board of Directors
Dixie Escalante Rural Electric Association, Inc.
Beryl, Utah

We have audited the accompanying financial statements of Dixie Escalante Rural Electric Association, Inc. (a Utah non-profit corporation), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dixie Escalante Rural Electric Association, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

HintonBurdick, PLLC
St. George, Utah
March 25, 2021

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DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Balance Sheets

December 31, 2020 and 2019

Assets		
	<u>2020</u>	<u>2019</u>
Utility plant - at cost		
Electric plant in service	\$ 152,549,676	\$ 133,853,111
Under construction	15,848,470	19,383,225
Total	<u>168,398,146</u>	<u>153,236,336</u>
Less: Accumulated depreciation and amortization	<u>(38,158,125)</u>	<u>(34,151,795)</u>
Utility plant - net	<u>130,240,021</u>	<u>119,084,541</u>
Other assets and investments		
Investments in CFC and others	3,281,166	2,794,563
Non-utility property	-	514,760
Total other assets and investments	<u>3,281,166</u>	<u>3,309,323</u>
Current assets		
Cash and cash equivalents	3,345,253	1,103,879
Accounts receivable - principally members (less allowance for doubtful accounts of \$122,888 in 2020 and \$105,940 in 2019)	4,712,950	4,949,157
Accounts receivable - other	217,893	553,933
Notes receivable - related party - due within one year	103,555	88,560
Materials and supplies	4,474,508	4,569,131
Other assets	1,332,048	1,595,048
Total current assets	<u>14,186,207</u>	<u>12,859,708</u>
Notes receivable - related party (net of current portion)	<u>601,383</u>	<u>744,596</u>
Total assets	<u><u>\$ 148,308,777</u></u>	<u><u>\$ 135,998,168</u></u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

**Balance Sheets, continued
December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Equity and Liabilities		
Members' equity		
Memberships	\$ 8,595	\$ 8,595
Patronage capital	24,910,698	22,387,606
Other equity	13,418,182	13,732,373
Total equity and margins	<u>38,337,475</u>	<u>36,128,574</u>
Long-term debt (less amount due within one year included below)	<u>47,466,649</u>	<u>39,214,427</u>
Current liabilities		
Accounts payable	5,800,549	7,718,034
Member deposits	740,100	408,536
Accrued expenses	811,207	1,032,747
Accrued personal leave	1,228,666	1,104,316
Line of credit	-	1,000,000
Long-term debt due within one year	3,233,825	1,411,900
Unclaimed capital credits	245,095	205,926
Total current liabilities	<u>12,059,442</u>	<u>12,881,459</u>
Construction advances	4,710,188	6,877,994
Deferred revenue - impact fees	<u>45,735,023</u>	<u>40,895,714</u>
Total equity and liabilities	<u>\$ 148,308,777</u>	<u>\$ 135,998,168</u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Operations
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 41,659,577	\$ 37,994,061
Operating expenses		
Operation and maintenance:		
Power purchased	24,531,973	21,509,385
Transmission	101,042	154,229
Distribution - operation	1,934,110	1,863,548
Distribution - maintenance	1,791,601	1,570,679
Consumer accounts	1,456,091	1,527,150
Member service	488,239	465,486
Administrative and general	3,048,657	2,949,300
Total operation and maintenance	<u>33,351,713</u>	<u>30,039,777</u>
Depreciation and amortization	3,936,156	3,333,048
Property taxes	1,109,826	1,027,078
Other	474,809	428,846
Total operating expenses	<u>38,872,504</u>	<u>34,828,749</u>
Operating margins before interest charges	2,787,073	3,165,312
Interest charges - principally long-term debt	<u>2,046,289</u>	<u>1,882,400</u>
Operating margins	<u>740,784</u>	<u>1,282,912</u>
Non-operating margins		
Interest income	54,284	60,479
Other non-operating income (expense)	1,962,094	1,871,646
Patronage capital credits - G&T	16,360	16,360
Patronage capital credits - CFC and others	782,440	638,756
Total non-operating margins	<u>2,815,178</u>	<u>2,587,241</u>
Net margins	<u>\$ 3,555,962</u>	<u>\$ 3,870,153</u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Members' Equity
For the Years Ended December 31, 2020 and 2019

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Equity</u>	<u>Total</u>
Balances, December 31, 2018	\$ 8,595	\$ 17,278,767	\$ 16,133,761	\$33,421,123
Allocation of 2018 margins		6,271,541	(6,271,541)	-
2019 Margins:				
Operating			1,282,912	1,282,912
Non-operating			2,587,241	2,587,241
Retirement of capital credits		<u>(1,162,702)</u>		<u>(1,162,702)</u>
Balances, December 31, 2019	8,595	22,387,606	13,732,373	36,128,574
Allocation of 2019 margins		3,870,153	(3,870,153)	-
2020 Margins:				
Operating			740,784	740,784
Non-operating			2,815,178	2,815,178
Retirement of capital credits		<u>(1,347,061)</u>		<u>(1,347,061)</u>
Balances, December 31, 2020	<u>\$ 8,595</u>	<u>\$ 24,910,698</u>	<u>\$ 13,418,182</u>	<u>\$38,337,475</u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net margin	\$ 3,555,962	\$ 3,870,153
Adjustments to reconcile net margin to net cash flows from operating activities:		
Depreciation and amortization	3,936,156	3,333,048
Net (gain)/loss on disposal of fixed assets and non utility plant	205,995	53,220
Accretion of deferred revenue	(2,174,367)	(1,947,699)
Changes in assets and liabilities:		
(Increase)/decrease in CFC investment	(486,603)	(443,975)
(Increase)/decrease in accounts receivable	572,247	(1,005,284)
(Increase)/decrease in materials and supplies	94,623	82,666
(Increase)/decrease in other assets	221,072	328,788
(Increase)/decrease in notes receivable	128,218	114,321
Increase/(decrease) in accounts payable	(1,917,485)	3,174,375
Increase/(decrease) in member deposits	331,564	16,081
Increase/(decrease) in accrued expenses	(221,540)	248,305
Increase/(decrease) in accrued personal leave	124,350	150,501
Increase/(decrease) in unclaimed capital credits	39,169	24,661
Net cash flows from operating activities	<u>4,409,361</u>	<u>7,999,161</u>
Cash flows from investing activities:		
Purchase/construction of utility plant	(24,075,716)	(22,992,172)
Proceeds from the sale of fixed assets	10,000	30,008
Proceeds from the sale of non utility plant property	307,614	65,062
Net cash flows from investing activities	<u>(23,758,102)</u>	<u>(22,897,102)</u>
Cash flows from financing activities:		
Proceeds from new borrowings	11,571,400	1,107,158
Repayment of long-term debt	(2,497,253)	(1,322,633)
Member advances of impact fees	7,013,676	6,226,202
Member advances for construction	7,364,343	8,195,193
Refund of member advances	(514,990)	(588,283)
Refund of capital credits	(1,347,061)	(1,162,702)
Net cash flows from financing activities	<u>21,590,115</u>	<u>12,454,935</u>
Net change in cash and cash equivalents	2,241,374	(2,443,006)
Cash and cash equivalents at beginning of year	<u>1,103,879</u>	<u>3,546,885</u>
Cash and cash equivalents at end of year	<u>\$ 3,345,253</u>	<u>\$ 1,103,879</u>

Supplemental Schedule of Interest Paid and Non Cash Investing and Financing Activities

Interest paid during the year amounted to \$2,068,701 and \$1,920,600 in 2020 and 2019 respectively.

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

ORGANIZATION

Dixie-Escalante Rural Electric Association, Inc. is a non-profit, cooperative association organized January 1, 1978, as a result of a consolidation of Dixie Rural Electric Association and Escalante Valley Electric Association for the purpose of providing electric service to rural areas located in southwestern Utah and northwestern Arizona. Dixie-Escalante Rural Electric Association, Inc. assumed all existing assets and liabilities of the Associations in the transaction which, for accounting purposes, has been recorded as a pooling-of-interests. No additional assets or liabilities were created through the consolidation.

REGULATION

The Association is subject to Federal accounting regulation and, until March 8, 1979, was subject to State rate regulation. Subsequent to March 8, 1979, the Association's rates are determined by the Board of Directors, subject to certain restrictions. The Association's accounting practices and policies are generally consistent with regulatory authorities and the accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

UTILITY PLANT AND DEPRECIATION

Utility plant in service and under construction is stated at original cost less certain contributions received from members, as described below. Costs include labor, materials, and related indirect costs such as engineering, supervision, transportation, etc. The cost of units of property replaced or renewed plus removal cost, less salvage, is charged to accumulated depreciation. Maintenance and repairs of utility property are charged to operating expenses. The Association provides for depreciation on the straight-line basis for all property over the estimated useful lives of the related assets as follows:

	Annual Depreciation Range
Transmission Plant	2.75%
Distribution Plant	2.87%
General Plant	3yrs. – 50 yrs.

In addition to depreciation shown separately in the statement of operations, depreciation of transportation and certain other equipment, amounting to \$920,831 in 2020 and \$653,925 in 2019 was charged to certain clearing accounts and distributed to operations and construction.

REVENUES

Revenues are recognized as services are performed and members are billed. The Association does not accrue revenues for energy delivered after the billing date.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, cash in banks and cash temporarily invested in money market accounts.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies - Continued

MATERIALS AND SUPPLIES

Materials and supplies are stated generally at average cost which is not in excess of market.

DEFERRED DEBITS

The Association periodically incurs expense in the development of future electrical facilities. Deferred costs include, principally, engineering and feasibility study expenditures. Such costs will be charged to operations over an estimated recovery period commencing upon completion of the facilities, or when management determines them to be of no future benefit.

CONSTRUCTION ADVANCES

Construction advances from members are refundable based upon terms of the line extension policy. Amounts not refunded by the end of the allowable period for refunds are accounted for as contributions in aid of construction, as described below.

CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction include non-refundable amounts advanced by members for construction. As jobs are completed, such amounts are accounted for as a reduction in the cost of the electric plant in service.

ADVERTISING COSTS

The Association incurred advertising costs related to nondirect-response advertising. These costs are expensed the first time the advertising takes place. Advertising costs expensed for 2020 and 2019 were \$301,527 and \$331,313 respectively.

ALLOCATION OF MARGINS

In accordance with the Association's bylaws, operating margins are allocated to the patrons of the Association in proportion to their patronage. Non-operating margins are used to reduce prior years' losses and thereafter, may be allocated to patrons at the discretion of the Association's Board of Directors.

TAXES ON INCOME

No amounts have been paid or accrued for income taxes as the Association is a nonprofit organization exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code.

The Association's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies - Continued

ESTIMATES

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates, and there is a reasonable possibility that estimates might change within the near term. The more significant estimates used by management in the preparation of the accompanying financial statements include the estimated useful lives of property, plant and equipment and the estimate used to calculate the allowance for doubtful accounts. In the opinion of management the allowance for doubtful accounts is sufficient to cover any accounts or notes receivable that may be uncollectible based on historic percentages and known circumstances.

DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 25, 2021, the date the financial statements were available to be issued.

Note 2. Utility Plant

Utility plant in service is summarized by major classification as follows:

	Balance at 12/31/20	Balance at 12/31/19
Transmission plant	\$ 47,794,150	\$ 43,171,579
Distribution plant	66,500,880	54,464,637
General plant	37,704,645	35,666,895
Intangible plant	550,000	550,000
Under construction	15,848,470	19,383,225
Subtotal	<u>168,398,145</u>	<u>153,236,336</u>
Accumulated depreciation and amortization	<u>(38,158,125)</u>	<u>(34,151,795)</u>
Net utility plant assets	<u><u>\$ 130,240,020</u></u>	<u><u>\$ 119,084,541</u></u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
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Note 3. Cash

At various times throughout the years ended December 31, 2020 and 2019, cash balances in bank accounts exceeded the amount insured by the FDIC and/or NCUA. As of December 31, 2020 and 2019, \$3,182,636 and \$1,081,441 of the bank balance of \$3,753,466 and \$1,594,519 was uninsured and uncollateralized.

Note 4. Investments in Associated Organizations

To join NRUCFC and establish eligibility to borrow, the Association has executed an irrevocable agreement to subscribe for subscription certificates and loan certificates. The subscription certificates mature in 2070, 2075, and 2080, and bear interest at 3 percent for the first fifteen years, 4 percent for the next seven years and 5 percent thereafter. The loan certificates mature and will be returned when the loans are paid off.

Investments in associated organizations are stated at cost and consist of the following:

	<u>2020</u>	<u>2019</u>
NRTC membership	\$ 1,000	\$ 1,000
CoBank membership	1,000	1,000
CRC		
Class A membership	2,500	2,500
Class A equity investment	10,000	10,000
Western United		
Patronage capital certificates	2,636,521	2,116,118
Less: valuation allowance	(502,275)	(375,022)
NRUCFC		
NRUCFC subscription certificates	171,175	171,175
NRUCFC loan certificates	156,109	156,109
CFC patronage capital certificates	675,394	593,990
CFC member capital securities	100,000	100,000
CFC Class A membership	1,260	1,260
NISC patronage capital certificates	28,482	16,433
	<u>\$ 3,281,166</u>	<u>\$ 2,794,563</u>

A valuation allowance has been established to reduce the investment in Western United. The allowance is equal to the amount of non-member dividends allocated to the Association which are not expected to be realized.

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Note 5. Deferred Revenue – Impact Fees

Since 1988 the Association has charged an impact fee for new hookups to offset some of the cost of improving the system to accommodate growth in the service area. The monies are to be used to offset the cost of new system construction or improvement. The Association records the impact fees as deferred revenues as they are collected and then recognizes them as nonoperating revenue over a period of 30 years, which approximates the estimated life of the plant constructed. The revenue recognized for the years ended December 31, 2020 and 2019 was \$2,179,867 and \$1,947,699 respectively.

Note 6. Long-Term Debt

The following is a summary of long term debt activity for 2020:

	Balance 12/31/2019	Additions	Retirements	Balance 12/31/2020	Current Portion
NRUCFC loans payable	\$ 40,520,955	\$ 10,000,000	\$ 1,475,821	\$ 49,045,134	\$ 1,640,993
PPP loan	-	1,571,400	-	1,571,400	1,571,400
Equipment lease	105,372	-	21,431	83,941	21,432
Total long-term debt	\$ 40,626,327	\$ 11,571,400	\$ 1,497,252	\$ 50,700,475	\$ 3,233,825

The following is a summary of long term debt activity for 2019:

	Balance 12/31/2018	Additions	Retirements	Balance 12/31/2019	Current Portion
NRUCFC loans payable	\$ 41,841,802	\$ -	\$ 1,320,847	\$ 40,520,955	\$ 1,390,468
Equipment lease	-	107,158	1,786	105,372	21,432
Total long-term debt	\$ 41,841,802	\$ 107,158	\$ 1,322,633	\$ 40,626,327	\$ 1,411,900

Based on the borrowing rates currently available to the Association for loans with similar terms and average maturities, the stated amount of long-term debt at December 31, 2020 and at December 31, 2019 closely approximated current fair value.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
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Note 6. Long-Term Debt - Continued

Long-term debt consists of the following:

	<u>2020</u>	<u>2019</u>
Loan Payables		
Loan payable to Zions Bancorporation through the SBA Paycheck Protection Program, bearing interest at 1%, maturing April 19, 2022. This loan was forgiven in February 2021.	\$ 1,571,400	\$ -
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.25%, maturing August 31, 2048.	9,911,057	-
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.25%, maturing August 31, 2048.	11,645,273	11,827,261
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.55%, maturing November 30, 2047.	7,627,048	7,768,064
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.30%, maturing November 30, 2045.	1,824,659	1,864,590
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.55%, maturing November 30, 2046.	12,996,609	13,252,984
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.25%, maturing May 31, 2035.	702,413	731,388
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2021.	57,119	112,501
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2022.	298,715	441,079
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.00%, maturing November 30, 2023.	461,076	601,657
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	492,230	549,561
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	492,230	549,561
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.90%, maturing February 28, 2029.	260,298	285,320
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.10%, maturing November 30, 2031.	1,293,271	1,386,936
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 3.65%, maturing February 28, 2026.	983,136	1,150,053
Total loan payables	50,616,534	40,520,955

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Note 6. Long-Term Debt - Continued

Lease Payable

Lease payable to Farm Credit Leasing Services Corporation, due in monthly installments of \$1,803.

	83,941	105,372
Total long term debt	50,700,475	40,626,327
Less amounts due within one year	(3,233,825)	(1,411,900)
Long term debt, net of current portion	\$ 47,466,650	\$ 39,214,427

Loan Payables

Under the terms of the mortgage, all assets of the Association are pledged as security. In addition, the mortgage provides, among other things, for the maintenance of certain financial ratios, restrictions related to expanding, refunding patronage capital, incurring indebtedness, making investments, and merging.

On October 16, 1996, Deseret Generation and Transmission (Deseret G&T) and each of the six members of Deseret G&T including Dixie Escalante Rural Electric Association, Inc. entered into a major debt restructuring.

Maturities of the loan payables are as follows:

Year Ended	2020		2019	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 1,390,468	\$ 1,916,141
2021	3,212,393	2,239,131	1,455,958	1,847,383
2022	1,644,902	2,158,575	1,451,963	1,774,231
2023	1,567,167	2,079,954	1,371,643	1,703,312
2024	1,473,647	2,007,541	1,267,271	1,638,912
2025	1,543,150	1,938,038	1,328,436	1,577,747
Thereafter	41,175,275	24,133,791	32,255,216	19,107,610
Totals	\$ 50,616,534	\$ 34,557,030	\$ 40,520,955	\$ 29,565,336

In 2019, DERE A entered into an additional loan agreement with the National Rural Utilities Cooperative Finance Corporation to receive up to \$20,000,000. No drawdowns were made on this agreement during 2019. In 2020, \$10,000,000 was drawdown leaving \$10,000,000 still to be drawn at December 31, 2020.

Lines of Credit

As of December 31, 2020 and 2019 the Association maintained a \$5,000,000 perpetual line of credit with NRUCFC. The line of credit bears interest at the prime rate plus 1 percent, which was 2.25 percent and 2.85 percent at December 31, 2020 and 2019 respectively. The line of credit renews each year unless either party terminates the agreement by providing written notice. There was no outstanding balance on this line of credit at December 31, 2020 and 2019.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
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Note 6. Long-Term Debt - Continued

During 2013, the Association opened a \$3,000,000 revolving line of credit with CoBank. Interest is charged at either (1) a week quoted variable rate or (2) a quoted rate option as selected by the Association at the time funds are borrowed. The line of credit can be renewed each year at the option of CoBank. In January 2018, the line of credit was increased to \$5,000,000. There was an outstanding balance on this line of credit at December 31, 2020 and 2019 of \$0 and \$1,000,000, respectively.

Lease Payable

In December 2019, the Association entered into a lease agreement which is considered a capital lease. The capital lease was for two electric Hyundai Kona vehicles which were capitalized under the lease for \$107,158. Amortization for 2020 and 2019 was \$21,432 and \$1,786, respectively. Amortization on the capital lease is included in depreciation expense.

The following is an annual schedule of future minimum lease payments with an interest rate of 1.68%, together with the present value of the net minimum lease payments:

	Year Ending December 31	
	2021	\$ 21,635
	2022	21,635
	2023	41,264
Total remaining minimum lease payments		84,534
Less amount representing interest		(593)
Present value of net remaining minimum lease payments		\$ 83,941

Note 7. Members' Equity

Beginning January 1, 1978, the Association discontinued a policy requiring payment of initial membership fees. Under current policy, no membership fees are required and members are admitted subject to acceptance of the board of directors. During 2000, the board approved an early retirement of capital credits allocated to members from 1978 to 1987. The Association refunded the capital credits, at a discount, to members who desired to participate in the early retirement. During 2000, the board also approved a refund of capital credits assigned to the remaining patron accounts for 1978 and 1979. The past policy adopted by the board was to refund such credits after the twentieth year if deemed economically feasible. In 2000, the board adopted a policy to refund capital credits based on a percentage of all equities method and then fully refund any amount remaining after the thirtieth year. A refund percentage is determined each year by the board of directors. During 2020 and 2019, refunds of approximately 100 percent of 1990 plus 5 percent of all other years and approximately 5 percent, respectively, of the remaining 1989-2016 capital credits were made. The total capital credit refunds amounted to \$1,348,142 and \$1,166,371 in 2020 and 2019 respectively.

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Note 8. Employee Benefits

Pension benefits for all employees of the Association with one year of service who have attained age 21 are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Defined Benefit Pension Plan.

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Plan Information

The Association's contributions to the RS Plan in 2020 and in 2019 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. The Association made contributions to the RS Plan of \$1,059,101 in 2020 and \$970,028 in 2019.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2020 and over 80 percent funded on January 1, 2019, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

RS Plan Prepayment

At the December 2012 meeting, the I&FS Committee of the NRECA Board of Directors approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, the billing rate for most cooperations is reduced by approximately 25 percent, retroactive to January 1 of the year in which the amount is paid to the RS Plan. The 25 percent differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However, unexpected changes in interest rates, asset returns and other plan experience, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period.

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Notes to the Financial Statements
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Note 8. Employee Benefits, continued

Two prepayment options were available to participating cooperatives:

1. Use current assets to make the prepayment over a period of not more than 4 years
2. Borrow funds sufficient to make the prepayment in a lump sum, with the repayment of the borrowed amount determined by the loan's amortization schedule.

On May 30, 2013 the cooperative made a prepayment of \$2,098,963 to the NRECA RS Plan. The cooperative is amortizing this amount over 13 years. Interest expense associated with the prepayment loan is being accounted for in accordance with the RUS USOA.

Defined Contribution Savings Plan

In addition to the RS Plan, the Association contributed \$152,398 and \$130,728 to savings plans in 2020 and 2019 respectively. Employee contributions to these savings programs amounted to \$396,923 in 2020 and \$339,373 in 2019. Dixie-Escalante Rural Electric Association, Inc. has no liability for future benefits beyond the amount contributed.

Note 9. Compensated Absences

In accordance with the personal leave policy, each full time employee earns 168 hours of personal leave the first year of employment, 264 hours during the second year with an 8 hour increase for each year thereafter to a maximum of 344 hours annually. The maximum accrued hours that may accumulate in any one employee's account by year end is 800. In May and November of each year, employees may request payment of 75 percent of their current wage for up to one third of the accumulated hours in their account. The liability for accrued personal leave amounted to \$1,228,666 and \$1,104,316 at December 31, 2020 and 2019 respectively.

Note 10. Related Parties

In September of 2005, the Board of Directors approved the creation of Red Rock Funding, LLC, as a wholly owned subsidiary of the Association, to administer the Employee Loan Program. The Association made advances of funds to Red Rock Funding, LLC as necessary for the administration of the Employee Loan Program. Participants in the Employee Loan Program were able to borrow up to \$40,000 from Red Rock Funding, LLC for assistance in purchasing housing. The loans are secured by the property purchased. Principal and interest are paid annually through the administration of the Employee Housing Compensation Benefit. As of December 31, 2020 and 2019 amounts due to the Association from Red Rock Funding, LLC for such loans totaled \$704,938 and \$833,156 respectively. In December of 2009, the Association discontinued the Employee Loan Program and the Employee Housing Compensation Benefit for all future employees.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
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Note 11. Commitments and Contingencies

Power Purchases

The Association has signed a contract to purchase power from the Western Area Power Administration which is a Colorado River Storage (CRSP) allocation. Monthly power needs in excess of this allocation are purchased from Deseret Generation and Transmission (Deseret G&T). The Association is committed to purchase power from Deseret G&T in excess of its CRSP allocation. Additional power beyond that provided by these two sources would be purchased under a contract with the Intermountain Power Project. This contract, termed a lay off contract, provides that power not needed or used by the Association will be allocated to the City of Los Angeles, but made available to the Association as needed.

During the year ended December 31, 2000, Dixie-Escalante Rural Electric Association, Inc. signed a new agreement with the Bureau of Reclamation concerning the hydroelectric power from the Colorado River Storage Project (CRSP) which at present is a low cost source of power available to municipalities and cooperatives having long term contracts with CRSP. The agreement is a new fifteen year agreement that began in the year 2004. The Association is currently working on a new agreement.

Dixie Escalante Rural Electric Association is one of six member/owners of Deseret G&T, a Utah generating and transmitting electrical co-operative. Deseret G&T owns and operates the Bonanza power plant in eastern Utah. The Association has signed an all requirements wholesale power purchase contract with Deseret G&T which is in force until June 1, 2026 and then automatically extended and continued until December 31, 2077.

Flowell Electric Association

Effective January 1, 1999, all but the manager of Flowell Electric Association, consisting of seven employees, became employees of Dixie Escalante, and Flowell's inventory and other general fixed assets were transferred to Dixie Escalante. Dixie Escalante agreed to provide Flowell Electric with member billing and plant maintenance services. Under the agreement, Flowell will provide a shop and yard for the Dixie Escalante equipment and inventory. Flowell is being treated by Dixie Escalante as a contract customer.

St. George City – Sun Smart Solar Project

In October of 2008, the Association entered into a solar project participation agreement with the City of St. George, Utah. Under the agreement, the City of St. George agreed to construct and operate a solar photovoltaic project. The Association would participate and permit its members who reside within the city limits of St. George to purchase participating units of the solar project from St. George.

The Association's participation percentage in the project was 50 percent, meaning that the Association would reimburse the City of St. George, either through cash payment or labor credits, for 50 percent of all costs associated with the construction, operation, and maintenance of the project. In return, the Association will receive an "energy entitlement" equal to its participation percentage for all completed phases of the project times the net output of the project minus the aggregate credited energy of all Dixie Escalante members participating in the project.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
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Note 11. Commitments and Contingencies - Continued

As of December 31, 2011 phases 1 and 2 of the project were complete and placed into service. Due to the nature of the project, management determined that the capital costs associated with the project should be recorded as “other assets” in the financial statements and amortized over the estimated life of the project (20 years). The Association’s share of all costs for the construction of the project minus any shares sold to customers and net of accumulated amortization totaled \$312,951 and \$346,834 at December 31, 2020 and 2019 respectively. Operating and maintenance costs will be expensed as incurred.

Deseret Generation and Transmission - Dixie Solar Project

On January 1, 2017, the Association entered into an agreement with Deseret Generation and Transmission (Deseret G&T) to construct a solar farm in Beryl, Utah. The project was completed in 2018. Due to the nature of the project, management determined that the capital costs associated with the project should be recorded as “other assets” in the financial statements and amortized over the estimated life. The Association pays Deseret G&T a fixed lease price each month for use of the solar farm. The Association’s share of all costs for the construction of the project minus any shares sold to customers and net of accumulated amortization totaled \$104,732 and \$112,777 at December 31, 2020 and 2019 respectively.

Note 12. Recognition of Capital Credits from Deseret Generation and Transmission

During 1999 the board of directors adopted the policy of only recognizing capital credits from Deseret Generation and Transmission (Deseret G&T) when the credits are actually paid. Deseret G&T has no obligation to rotate capital credits and even though capital credits are being allocated by Deseret G&T to its members there is no present expectation that all of those credits will be rotated by payments to the members.

During 2020 and 2019, Deseret G&T rotated and paid the Association the following capital credits and has informed the management of the following tax basis allocations of the remaining capital credits which may someday be retired.

Year	Balance 12/31/2018	2019 - 2020 Rotation	Balance 12/31/2020
1983	\$ 16,296	\$ -	\$ 16,296
1984	133,474	-	133,474
1985	-	-	-
1986	86,351	-	86,351
1997	624,852	-	624,852
1998	84,560	32,720	51,840
1999 - 2012	-	-	-
Total	<u>\$ 945,533</u>	<u>\$ 32,720</u>	<u>\$ 912,813</u>

Rotation of capital credits recognized as revenues in 2020 and 2019 totaled \$16,360 and \$16,360 respectively.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
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Note 13. PPP Loan and Subsequent Events

In April 2020, the Association obtained an SBA loan under the Payroll Protection Program (PPP) in the amount of \$1,571,400 to help keep the Association's staff employed during the pandemic. The Association met all of the conditions of PPP loan forgiveness and in February 2021, this PPP loan was fully forgiven by the SBA.

During 2020, a resolution was passed for the acquisition of the Flowell Electric Association. A vote was required by Flowell's membership which was held in September 2020 in favor of the acquisition. The acquisition occurred on January 1, 2021.