As of the end of 2015 IREA had nearly 149,000 active services on its distribution system. We sold more power than ever before during 2015 and achieved our highest margin.

Over the past three years we have refunded more capital credits to customers than any similar period in IREA’s history.

Nevertheless, IREA and its Board of Directors have been working hard on new challenges we face in this time of unprecedented change in the electric utility industry.

A major driver of change has been the drop in the cost of solar energy. The number of rooftop solar installations in our service territory tripled in 2015. IREA also entered into an agreement with a solar developer to buy the output of a 13-megawatt utility-scale project to be built north of Bennett. We are working to accommodate those customers who wish to install their own solar generation, provide opportunities for customers who cannot install their own to acquire solar energy from IREA, and design a rate structure that is fair to solar and non-solar customers alike.

We recognize that our distribution system must become a more sophisticated platform for delivering and managing a more diverse and variable energy supply and must enable us to provide the services our customers likely will come to expect in coming years.

We also must develop rates that recover costs fairly for the services we provide and compensate customers fairly when they provide energy or other benefits to IREA. As we move in that direction we are carefully considering the risks and benefits of the steps to be taken.

IREA’s Board of Directors is gratified by the support we have received from customers in 2015 and will continue to work to earn that support as we face the challenges ahead.

In many ways, 2015 was challenging.

Major outages in May, August and November tested the association’s capabilities, but our employees responded in excellent fashion, restoring service as quickly as possible under difficult circumstances. We were gratified to receive comments of appreciation for the crews working round the clock in snowstorms to repair damage.

By the end of 2015 we were well on our way to reducing outage problems with the acquisition of a sophisticated outage management system that will allow us to more quickly respond to outages, predict and mitigate possible outages before they occur, and keep our customers informed regarding outages and our response. We also have been planning and installing communications infrastructure to serve as the backbone of planned automated metering and distribution equipment that will enable us to see and control what is happening on our sprawling system to the degree necessary to identify problems immediately, fix them promptly, and better identify needed investment in new facilities. In 2015 we finished the second year of a new vegetation management program that already has improved reliability where it has been completed, and our aggressive pole-testing program resulted in the replacement of hundreds of poles that might have failed in adverse weather conditions.

IREA remained active in 2015 regarding public policy matters that affect our customers. The Environmental Protection Agency’s Clean Power Plan, implementation of which has been delayed until after the U.S. Supreme Court addresses it, dominated the utility landscape in 2015, and the goals of the CPP likely will do so again in 2016 regardless of how the courts rule.

Our customers consistently let us know that their principal concern about our service is its reliability, followed by its cost. Increasingly, customers also want cleaner power supplies and more opportunity to control their costs. We will continue to work to address those concerns.
IREA is your electric cooperative

Intermountain Rural Electric Association is a customer-owned electrical cooperative, one of many created in the 1930s by the New Deal era’s Rural Electrification Act.

Though IREA is organized as a corporation under Colorado law and conducts its operations like most other utilities, it is a nonprofit, customer-owned cooperative governed by a board of customer-elected directors that makes decisions regarding the general policies of IREA and oversees implementation of those policies. The directors each represent one of seven districts within IREA’s 5,000-square-mile service territory and serve four-year terms.

IREA’s margins – the amounts by which its revenues exceed expenses each year – are credited to customers based on their electricity usage. The margins are used as working capital and invested in electrical infrastructure, but each year IREA tries to return some of its capital to members. Capital credits have been refunded to customers almost every year for decades.

LFA applies to new services in 2016

In October, months of resource planning, public meetings and discussions with stakeholders culminated in the IREA Board of Directors’ adoption of a new rate, the Load Factor Adjustment.

The rate was designed to help IREA fairly recover some of the cost it incurs meeting the demand of customers with rooftop solar generation.

State law requires that electric utilities pay customers for the electricity they generate through rooftop solar at a retail rate. This mandate, known as “net metering,” requires the Association to purchase excess power generated by a rooftop solar customer at a higher cost than which it otherwise purchases power while also forcing the co-op to provide service to these customers at a loss.

The LFA aims to reduce this gap in cost recovery by assessing a demand charge on new residential customers who place a high level of demand on the grid in relation to a low level of billed energy usage. IREA was careful to craft a rate that, while applicable to new residential service or interconnections in 2016, will realistically not impact the vast majority, nor will it affect rooftop solar customers whose systems were in place, or approved for interconnection, before Jan. 1, 2016.

The LFA is IREA’s first attempt to address a growing problem facing electric utilities across the country.

Net metering, initially implemented as a way to help struggling rooftop solar providers gain a foothold in the market, now forces cross-subsidization of solar customers at the expense of non-solar customers.

It is debatable whether the now multibillion dollar rooftop solar industry still needs such subsidies, and this debate continued to take place in all but eight states in 2015.

Among IREA’s most exciting projects approved during 2015 was a 13-megawatt solar generation facility, which is expected to be up and running by the end of 2016.

Dubbed “Victory Solar” because it will be adjacent to IREA’s Victory substation, the 13 megawatt, utility-scale project is to be located northwest of Bennett, in the eastern portion of the association’s service territory on land owned by the association. IREA issued a request for proposals from solar project developers and ultimately contracted with juwi Inc. to purchase the facility’s entire output under a 25-year contract.

The cost of utility-scale solar energy has fallen to competitive levels under the right circumstances. We are glad to be able to take advantage of the opportunity this project presents.
Investing in Our Future
IREA is committed to providing opportunities to students and educators in the communities we serve.

In supporting local school districts, teachers and extracurricular programs, we are actively investing in the future of those communities. In 2015 IREA contributed funding and made in-kind donations to education and youth recreation programs throughout our service territory.

Twenty-one grants of $1,000 each were awarded to assist in the cost of post-secondary education for graduating high school seniors. The names of three students who applied from each of the seven director districts were drawn at random to receive the grants.

IREA wishes the best for the first-year college students who received the grants and encourages students within IREA’s territory who are graduating in the spring of 2016 to apply for this year’s program. An application form can be found at www.IREA.coop/education-grants.

Energy Outreach Colorado
Energy Outreach Colorado is the principal nonprofit organization in the state raising money to help provide home energy assistance to low-income Coloradans. IREA customers contributed in 2015 more than $21,000 to EOC through their power bills to help those in need.

IREA continued its practice of matching customer contributions to EOC and provided an additional $10,000 in funding, bringing total 2015 contributions to EOC’s low income energy assistance program to $52,000.

While this level of support is important and appreciated, IREA will be doing even more in 2016 to promote support for Energy Outreach Colorado. Funding for this program has steadily declined in recent years, making funds available to assist those in need more scarce.

Encouraging Energy Efficiency
IREA continued in 2015 a sweeping effort to replace older high-intensity discharge (HID) bulbs with light-emitting diode (LED) bulbs in street lights inside our service area. These new LED bulbs are more efficient than their HID precursors and typically cut energy use by up to 80%. They also improve nighttime visibility.

By the end of 2015, IREA had installed more than 5,000 LED bulbs, nearly 40% of street lights in our communities.

IREA encourages customers, if able, to make a commitment to supporting Energy Outreach Colorado in 2016. Remember: IREA will match your contribution, doubling the pledge you make to those who need help paying their electric bills.

Economic Development Partner
IREA is an active partner with local economic development groups and chambers of commerce in working to improve economic conditions in the communities we serve.

We support dozens of groups that make efforts to attract new businesses, encourage innovation and provide a better place to live for our customers and neighbors. A strong, thriving economy helps us all, and growth in IREA’s service territory helps keep costs down for our customers.

The Association is active in sponsoring many other charitable causes and important community events such as the Race for the Cure, 9Health Fair, local Rotary clubs, Kiwanis clubs and senior groups. IREA employees also contribute to, raise funds for and provide goods and assistance for a wide range of community charities and efforts.

eBilling continues to increase in popularity
On average 1,000 customers signed up for eBilling each month in 2015. By year’s end more than 47,000 customers — nearly 30% of IREA’s customer base — were taking advantage of this free service. IREA’s eBilling solution includes a free and secure electronic payment option from within the eBill. Nearly 10,000 customers used this option each month.

Throughout 2015 an increasing number of IREA customers also opted for Automatic Bill Payment, another free electronic payment option. Customers who sign up for this service have their bill automatically deducted from an account of their choice on the bill due date. Bills reflect the date payment will be withdrawn so customers know in advance when the transaction will occur.

Nearly 70% of monthly payments received in 2015 were through electronic means, which included more than 30,000 monthly payments from bill pay services offered at little or no cost by banks. The many customers who used electronic billing and payment options saved the cooperative paper, printing, mailing and check handling costs each month, helping to keep rates down.

You can sign up for eBilling by visiting www.IREA.coop/billing or calling (800) 332-9540. After you sign up, your bill will be delivered to your email address as an attached PDF, through which you will be able to review and pay your bill via secure funds transfer.
2015 was another strong financial year for Intermountain Rural Electric Association. A $32.2 million margin contributed to improvement of our equity-to-asset ratio from 23.46% in 2014 to 24.7% at 2015 year end, even after $13.6 million was returned to our customers as capital credit refunds in March 2015.

The Association’s strong financial performance during 2015 and its improved balance sheet allowed the Board of Directors to again authorize a refund of more than $13.6 million to our members this year, matching the 2015 capital credit retirement. In the last three years IREA has returned almost $43 million in capital credits to its customers. During that same period long-term debt has been reduced by more than $31 million.

Though rates were not increased, operating revenue increased slightly from 2014 due to growth in the customer base with the addition of 3,481 new services and a warmer summer than in 2014.

The Association’s total cost of electric service increased by only about 1%, despite the cost of two major storms and the addition of new employees to serve our expanding customer base. Continuing low fuel costs, better than expected performance by Comanche Unit 3 through most of the year and reduced interest expense contributed to this result.

Statement of Operations
Dec. 31, 2015, and Dec. 31, 2014 (unaudited)

<table>
<thead>
<tr>
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<th>2015</th>
<th>2014</th>
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<tbody>
<tr>
<td>Operating Revenue</td>
<td></td>
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<tr>
<td>Residential</td>
<td>$190,384,379</td>
<td>$183,528,296</td>
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<tr>
<td>Irrigation</td>
<td>$1,169,429</td>
<td>$646,872</td>
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<td>Commercial</td>
<td>$86,446,504</td>
<td>$84,849,147</td>
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<tr>
<td>Total Operating Revenue</td>
<td>$280,463,127</td>
<td>$272,209,737</td>
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Operating Expenses

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<thead>
<tr>
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<tbody>
<tr>
<td>Power Production</td>
<td>$28,138,487</td>
<td>$27,742,775</td>
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<tr>
<td>Power Purchased</td>
<td>$90,191,036</td>
<td>$91,022,109</td>
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<tr>
<td>Operations &amp; Maintenance</td>
<td>$26,875,007</td>
<td>$28,488,236</td>
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<tr>
<td>Administrative and General Expense</td>
<td>$12,173,454</td>
<td>$10,650,761</td>
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<tr>
<td>Depreciation and Amortization Expense</td>
<td>$32,466,763</td>
<td>$29,732,841</td>
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<td>Tax Expense Franchise and Property</td>
<td>$11,544,120</td>
<td>$12,539,304</td>
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<td>Interest on Long-Term Debt</td>
<td>$44,136,150</td>
<td>$45,329,320</td>
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<tr>
<td>Other Deductions</td>
<td>$6,962,204</td>
<td>$3,660,115</td>
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<tr>
<td>Total Cost of Electric Service</td>
<td>$252,517,221</td>
<td>$249,162,461</td>
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Margins

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<tr>
<td>Non-Operating Margins</td>
<td>$250,243</td>
<td>($8,959)</td>
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<tr>
<td>Lender Patronage Capital Credits</td>
<td>$4,050,847</td>
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<tr>
<td>Total Margins</td>
<td>$32,246,996</td>
<td>$27,202,276</td>
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This Annual Report was written, designed and produced by Intermountain Rural Electric Association for the exclusive use of its customers, employees and other stakeholders. IREA thanks you for your patronage and welcomes feedback. We encourage customers to contact us using any of the channels below.

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