

enchantment

The Voice of New Mexico's
Rural Electric Cooperatives

Lea County Electric Cooperative, Inc. 2023 Annual Report



*Bring your personalized registration card
on the back cover for faster registration.*

Annual Meeting Registration Card

Lea County Electric Cooperative, Inc.

 Member Name
Member Address
Member City, State Zip



P. O. Drawer 1427
Lovington, NM 88260

Be sure to bring this card with you to register at the meeting.

Notice of Annual Meeting



Dan Hardin

TO: All Members of Lea County Electric Cooperative, Inc.

Notice is hereby given that the 2024 Annual Meeting of Members of Lea County Electric Cooperative, Inc. will be held Friday, April 26, 2024, with registration from 8:00 a.m. to 5:00 p.m., MDT, at 1300 W. Avenue D, Lovington, New Mexico, the Lea County Electric Cooperative's main office, in a drive-through process, or at the following locations during business hours at the Tatum district office, at 203 South Main Street, Tatum, New Mexico, or at the Plains district office, at 1547 U.S. Highway 82, Plains, Texas. Said meeting complies with the adopted bylaws of the Cooperative.

The business session of the meeting will be streamed live on the Lea County Electric Facebook page at 6:00 p.m., MDT, at which the following will be addressed: 1) the establishment of a quorum; 2) a reading of the Secretary's Notice of the meeting and proof of mailing to members; 3) approval of minutes of the 2023 Annual Meeting; presentation and consideration of reports from officers, trustees, and committees; 4) transaction of such other business as may come before the meeting; and 5) an election by the membership of two Trustees one from District Four and one from District Seven for the year 2023 Annual Meeting.

Pursuant to Article IV, Section 4 of the Bylaws, a Committee on Nominations was appointed and met on March 11, 2024, at 5:30 p.m. for the purpose of placing in nomination candidates for the election of two Trustees: one from District Four and one from District Seven for the 2024 meeting. A list of said nominations of Trustees was prepared and posted at the office of Lea County Electric Cooperative, Inc., 1300 West Avenue D, Lovington, New Mexico, and each district office.

According to the bylaws, other nominations may be made by petition signed by 15 or more members acting together no less than 20 days prior to the date of the annual meeting of members. A list of any nominations by petition will likewise be prepared and posted. All nominations, including those by the Committee on Nominations and those by petition, will be submitted to and acted upon by the membership at the Annual Meeting. A statement of the number of Trustees to be elected and the names and addresses of the candidates (the nominations made by the Committee on Nominations and nominations made by petition, if any, being listed separately as required in the bylaws) will be mailed to the members with this Notice of the Annual Meeting.

Article III, Section 5 of the Bylaws states in part: Each person who otherwise qualifies and who wishes to vote shall register for the member meeting and shall be entitled to only one vote on each matter submitted to a vote at a Meeting of the Members. Voting persons other than members who are natural persons shall be allowed by the presentation to the Cooperative, prior to or upon registration at each Member Meeting, of satisfactory evidence entitling the person presenting the same to vote. Voting authorization forms are available at the Cooperative's main office at 1300 West Avenue D, Lovington, New Mexico, and at the district offices in Tatum and Plains or by calling 575-396-3631.

IN WITNESS WHEREOF, this Notice has been issued by the Secretary-Treasurer of the Lea County Electric Cooperative, Inc., and its corporate seal hereon impressed this 21st day of March 2024.

A handwritten signature in black ink that reads "Dan Hardin". The signature is written in a cursive, flowing style.

Dan Hardin, Secretary-Treasurer

Board of Trustees



JOHN GRAHAM
President
District 1
Spouse: Jeanine
Occupation: Businessman/
Newspaper Publisher



TRAVIS GLENN
District 3
Spouse: Tonya
Occupation: Businessman



ROBERT CAUDLE
Vice President
District 1
Occupation: Landman



RANDALL MCCORMICK
District 5
Spouse: Sandra
Occupation: Businessman



DAN HARDIN
Secretary-Treasurer
District 4
Spouse: Sandy
Occupation: Retired Finance



C.J. KINSOLVING
District 6
Spouse: Kaitlin
Occupation: Ranching



KENNETH WALLACE
District 1
Spouse: Elaine
Occupation: Businessman/
Oil & Gas Services



CHARLES W. GARNER II
District 7
Spouse: Christy
Occupation: Farming & Ranching



JASON SWANN
District 8
Spouse: Erin
Occupation: Banking





John Graham



Bobby Ferris

Year in Review



As we embark on our 75th year of service, Lea County Electric Cooperative (LCEC) stands committed to being a community-focused cooperative that strives to be innovative and environmentally friendly, while providing its members high value, low cost, and safe reliable service. Our collaborative team, comprised of dedicated employees, management, and board members, has diligently worked a combined total of over 1100 years to reinforce this commitment and elevate our role beyond that of a traditional energy provider.

Amidst the challenges of three substantial windstorms and tornadoes in the past year, LCEC showcased unwavering resilience by swiftly restoring power, prioritizing safety, and ensuring operational efficiency. This response demonstrated our dedication to a continuous and reliable electricity supply.

Ensuring a robust power infrastructure is a top priority for LCEC. It not only withstands disruptions from weather or external factors but also underpins our commitment to swift power restoration during outages. We consider ongoing investments in upgrading and maintaining our infrastructure crucial, enabling quick issue identification and resolution to minimize the impact of outages on our community.

Beyond our core functions, LCEC proudly exemplifies the 7th cooperative principle, "Concern for Community." While our primary focus is on meeting the needs of our members, we also actively contribute to the sustainable development of our communities through policies embraced by our members. This fundamental concern strongly influences the direction of our outreach and education initiatives, encompassing a spectrum of activities that span hands-on efforts to financial or in-kind contributions. We invest in local events like the Lea, Yoakum, and Gaines County Junior Livestock sales, contributing over \$44,000 annually to support the hardworking young men and women who prepare these animals.

Engaging with the youth is central to our cooperative's philosophy, as seen in our support for outstanding students like Lexi Kilpatrick and David Ascencio attending the Government-in-Action Youth Tour. Lexi Kilpatrick's exceptional contributions have earned her the honor of representing the State of New Mexico at the National Rural Electric Cooperative Association's PowerXchange annual meeting.

Our dedication to the future is further demonstrated through projects that go beyond traditional energy delivery. The Statewide Safety Coloring Contest, aimed at educating the younger generation about electrical safety, showcases our commitment to crucial knowledge creatively and engagingly.

A powerful alliance with CoBank resulted in a \$4,000 contribution to Lovington MainStreet through the Sharing Success Matching Grant program, allowing them to acquire additional refrigeration and perform essential maintenance for the beloved Big Blue food truck.

Participation in economic development initiatives reflects our commitment to holistic community development. By engaging in projects contributing to the financial well-being of the communities we serve, we play a pivotal role in ensuring sustained growth and prosperity. Active participation in various civic groups, educational boards, city commissions, and other community efforts underscores our commitment to nurturing our community spirit. Our involvement in the Lea County Fair and Rodeo builds strong ties as we interact with the community, allowing us to understand better and address the needs and concerns of our members.

During the holiday season, we collaborate with the Toy Tee Hostesses to impact over 125 families and provide gifts to more than 600 children who may not receive them otherwise.

As a cooperative, our commitment to giving back is evident in the board approval to retire capital credits exceeding \$3.6 million in 2023. Additionally, our year-to-date contribution has reached over \$66 million reflecting our ongoing dedication to members, past and present, emphasizing our role as a dynamic force for positive transformation within the communities we serve.

LCEC actively engages in impactful initiatives, particularly in education. The Lea County Electric Education Foundation, an extension of our cooperative, has awarded an impressive \$265,000 in scholarships in the year 2023, marking one of the highest scholarship sums granted in recent history. This commitment to education is a cornerstone of our mission, and positively impacted 32 local students, extending beyond financial support. Our cumulative scholarship disbursements have now surpassed an impressive milestone, exceeding a total of over \$3.6 million. Since inception in 1988, these funds have had a positive impact on the lives of 788 students. It reflects our firm belief in the transformative power of education to shape a brighter future for both individuals and the community at large.

Whether through supporting local events, engaging in economic development, or participating in the communities served, LCEC strives to create an environment where every individual can thrive. We are grateful for the confidence our members place in Lea County Electric Cooperative, empowering us to continue our mission. Our primary goal is to offer our members high-value, cost-effective, secure, and reliable services, including positive change and community betterment.

John Graham
President
Board of Trustees

Bobby Ferris
Executive Vice President
& General Manager

Statements of Income

LEA COUNTY ELECTRIC COOPERATIVE, INC.

STATEMENTS OF INCOME, COMPREHENSIVE INCOME,
AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Years Ended December 31,				Increase (Decrease)
	2023		2022		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 12,846,729	12.5	\$ 13,971,658	11.8	\$ (1,124,929)
Irrigation	14,643,296	14.1	17,436,292	14.9	(2,792,996)
Commercial and Industrial	80,520,631	77.8	85,148,886	72.6	(4,628,255)
Public Buildings and Other Authorities	1,578,299	1.5	1,691,997	1.4	(113,698)
Unbilled Revenue	120,376	0.1	767,379	0.7	(647,003)
Power Cost (Over) Under Collected	(3,942,608)	(3.8)	(2,379,232)	(2.0)	(1,563,376)
Deferred Revenue	(3,000,000)	(2.9)		0.0	(3,000,000)
Other Operating Revenues	772,002	0.7	712,505	0.6	59,497
Total Operating Revenues	\$ 103,538,725	100.0	\$ 117,349,485	100.0	\$ (13,810,760)
OPERATING EXPENSES					
Purchased Power	\$ 77,234,845	74.6	\$ 92,922,062	79.2	\$ (15,687,217)
Transmission	1,325,263	1.3	938,062	0.8	387,201
Distribution - Operation	7,013,515	6.8	5,622,323	4.8	1,391,192
Distribution - Maintenance	1,452,517	1.4	1,282,565	1.1	169,952
Customer Accounts	1,071,300	1.0	1,022,064	0.9	49,236
Customer Service and Information	47,368	0.0	33,943	0.0	13,425
Sales	4,403	0.0	5,769	0.0	(1,366)
Administrative and General	4,829,725	4.7	4,208,052	3.6	621,673
Depreciation and Amortization	5,113,028	4.9	4,912,020	4.2	201,008
Cost of Removal	2,663,383	2.6	2,580,124	2.2	83,259
Interest Credit - Cost of Removal					
Restricted Funds Earnings	(1,392,702)	(1.3)	(914,620)	(0.8)	(478,082)
Taxes	332,831	0.3	92,609	0.1	240,222
Other Interest and Deductions	196,508	0.2	33,813	0.0	162,695
Total Operating Expenses	\$ 99,891,984	96.5	\$ 112,738,786	96.1	\$ (12,846,802)
OPERATING MARGINS - Before Fixed Charges	\$ 3,646,741	3.5	\$ 4,610,699	3.9	\$ (963,958)
FIXED CHARGES					
Interest on Long-Term Debt	2,143,262	2.1	1,996,250	1.7	147,012
OPERATING MARGINS - After Fixed Charges	\$ 1,503,479	1.4	\$ 2,614,449	2.2	\$ (1,110,970)
Capital Credits	4,998,726	4.8	2,476,147	2.1	2,522,579
NET OPERATING MARGINS	\$ 6,502,205	6.2	\$ 5,090,596	4.3	\$ 1,411,609
NONOPERATING ITEMS					
Investment Income (Loss)	\$ 2,037,021	2.0	\$ (672,202)	(0.6)	\$ 2,709,223
Gain (Loss) on Sale of Property	(10,454)	0.0	(1,355)	0.0	(9,099)
	\$ 2,026,567	2.0	\$ (673,557)	(0.6)	\$ 2,700,124
NET MARGINS	\$ 8,528,772	8.2	\$ 4,417,039	3.7	\$ 4,111,733
OTHER COMPREHENSIVE INCOME (LOSS)					
Current Year APBO Valuation Adjustment	34,614		(508,426)		
Post-Retirement Benefit Amortization	279,702		(63,435)		
COMPREHENSIVE INCOME	\$ 8,843,088		\$ 3,845,178		
Post-Retirement Benefit Adjustment	(314,316)		571,861		
PATRONAGE CAPITAL - BEGINNING OF YEAR	99,566,558		96,429,342		
Transfer to Other Equities	973,433				
Patronage Capital Retired	(3,813,320)		(1,279,823)		
PATRONAGE CAPITAL - END OF YEAR	\$ 105,255,443		\$ 99,566,558		

Balance Sheets

LEA COUNTY ELECTRIC COOPERATIVE, INC.

BALANCE SHEETS DECEMBER 31, 2023 AND 2022

ASSETS

	December 31,	
	2023	2022
UTILITY PLANT AT COST		
Utility Plant in Service	\$ 256,960,617	\$ 247,766,387
Construction Work in Progress	7,651,218	4,548,515
Contributions in Aid of Construction	(61,613,071)	(58,400,170)
	<u>\$ 202,998,764</u>	<u>\$ 193,914,732</u>
Less: Accumulated Provision for Depreciation	85,047,120	81,296,569
	<u>\$ 117,951,644</u>	<u>\$ 112,618,163</u>
OTHER PROPERTY AND INVESTMENTS		
Non-Utility Property (At Cost)	\$ 46,482	\$ 46,482
Investments in Associated Organizations	42,200,496	37,330,641
Other Investments	8,856,795	9,378,212
Special Funds - Restricted	41,024,431	39,685,328
Employee Benefit Funds - Restricted	2,561,227	2,229,719
Post-Retirement Benefits	3,031,518	2,563,588
	<u>\$ 97,720,949</u>	<u>\$ 91,233,970</u>
CURRENT ASSETS		
Cash	\$ 434,775	\$ 878,459
Temporary Investments - Cash Equivalents	8,727,157	21,359,428
Restricted Temporary Investments - Cash Equivalents	3,000,000	
Other Temporary Investments	9,529,875	5,206,667
Accounts and Notes Receivable	8,504,697	9,918,193
Allowance for Credit Losses/Uncollectibles	(372,728)	(327,059)
Accrued Unbilled Revenue	7,654,339	7,533,963
Power Cost - Under Collected		2,789,848
Materials and Supplies	6,435,102	4,201,657
Other Current and Accrued Assets	592,423	404,993
	<u>\$ 44,505,640</u>	<u>\$ 51,966,149</u>
DEFERRED DEBITS	<u>\$ 853,839</u>	<u>\$ 659,428</u>
TOTAL ASSETS	<u>\$ 261,032,072</u>	<u>\$ 256,477,710</u>

EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 36,360	\$ 36,400
Patronage Capital	105,255,443	99,566,558
Accumulated Other Comprehensive Income	371,783	57,467
Other Equities	1,123,263	2,096,696
	<u>\$ 106,786,849</u>	<u>\$ 101,757,121</u>
LONG-TERM DEBT		
FFB Notes Less Current Maturities	\$ 74,122,405	\$ 76,610,781
CFC Mortgage Notes Less Current Maturities	464,945	698,372
CoBank Mortgage Notes Less Current Maturities	406,504	717,304
	<u>\$ 74,993,854</u>	<u>\$ 78,026,457</u>
COST OF REMOVAL LIABILITY	<u>\$ 48,283,808</u>	<u>\$ 47,322,238</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 2,940,434	\$ 2,834,000
Accounts Payable - Purchased Power	5,859,519	7,585,054
Accounts Payable - Other	1,327,047	1,909,184
Power Cost - Over Collected	1,152,759	
Consumer Deposits	2,730,207	5,200,836
Other Current and Accrued Liabilities	1,758,309	1,840,187
	<u>\$ 15,768,275</u>	<u>\$ 19,369,261</u>
DEFERRED CREDITS	<u>\$ 15,199,286</u>	<u>\$ 10,002,633</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 261,032,072</u>	<u>\$ 256,477,710</u>

Statements of Cash Flows

LEA COUNTY ELECTRIC COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	December 31,	
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 8,528,772	\$ 4,417,039
Adjustments To Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	5,522,043	5,250,012
Deferred Revenue	3,000,000	
Cost of Removal Accruals - Gross	2,663,383	2,580,124
Post-Retirement Benefits	(108,604)	(205,584)
Capital Credits	(4,998,726)	(2,476,147)
Power Cost Recovery	3,942,607	2,379,232
Deferred Debits	(194,411)	274,163
Deferred Credits	2,196,653	4,569,657
Accounts and Notes Receivable	1,338,789	1,160,039
Inventories and Prepaid Expenses	(2,420,875)	(398,420)
Payables and Other Accrued Liabilities	(4,860,179)	4,704,450
Net Cash From Operating Activities	<u>\$ 14,609,452</u>	<u>\$ 22,254,565</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (10,899,689)	\$ (9,577,513)
Cost of Removal Incurred	(1,743,211)	(1,036,169)
Contributions and Other Additions to Cost of Removal	41,398	21,352
Salvage and Other Credits	44,165	61,944
Other Property and Investments	(5,343,531)	(5,619,183)
Net Cash From Investing Activities	<u>\$ (17,900,868)</u>	<u>\$ (16,149,569)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance Payments	\$	\$ 118,078
Payments on Long-Term Debt to FFB	(2,426,803)	(2,342,085)
Payments on Long-Term Debt to CFC	(201,487)	(192,684)
Payments on Long-Term Debt to CoBank	(297,879)	(283,380)
Advance on Long-Term Debt from FFB		13,236,814
Payments on Behalf of Retirees	(45,010)	(51,588)
Retirement of Patronage Capital	(3,813,320)	(1,279,823)
Memberships	(40)	80
Net Cash From Financing Activities	<u>\$ (6,784,539)</u>	<u>\$ 9,205,412</u>
CHANGE IN CASH AND CASH EQUIVALENTS	\$ (10,075,955)	\$ 15,310,408
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>22,237,887</u>	<u>6,927,479</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 12,161,932</u>	<u>\$ 22,237,887</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	<u>\$ 2,143,262</u>	<u>\$ 1,996,250</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

Annual Meeting Registration Card

Lea County Electric Cooperative, Inc.



P. O. Drawer 1447
Lovington, NM 88260

Member Name
Member Address
Member City, State Zip



Be sure to bring this card with you to register at the meeting.

75 Lea County Electric Cooperative, Inc.

Grand
Prize
\$2,500

Annual
Meeting

Friday
April 26
2024

Cook's Choice Knife Set



Registration
Gift

While supplies last.

Register at any LCEC office during business hours on April 26, 2024, to receive a registration gift, vote, and be entered to win the grand prize. The Lovington, NM office will host a drive-through registration. Tatum, NM, and Plains, TX offices will have lobbies open for registration.

The business portion of the meeting will be on Facebook Live at 6:00 p.m. (MDT)