

# LCEC

LEA COUNTY ELECTRIC COOPERATIVE



**MEETING YOUR  
CURRENT  
AND FUTURE  
ENERGY NEEDS**

ANNUAL REPORT 2017

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

Notice is hereby given that the 2018 Annual Meeting of Members of Lea County Electric Cooperative, Inc. will be held Friday, April 27, 2018, at the hour of 6:00 p.m., MDT, at Pannell Auditorium, 701 West Avenue K, at the Lovington High School in Lovington, New Mexico. Said meeting is in compliance with the adopted bylaws of the Cooperative and is for the purpose of electing Trustees, passing upon reports for the previous calendar year and for the transaction of such other business as may come before the meeting. Registration of members will be held on Friday, April 27, 2018 at the following locations: at the Cooperative's main office, 1300 West Avenue D Lovington, New Mexico or at the Tatum district office, 203 South Main, Tatum, New Mexico between 8:00 a.m. and 4:00 p.m., MDT; Plains district office, 507 9th Street, Plains, Texas between 8:00 a.m. and 4:00 p.m., CDT; or at Pannell Auditorium between 5:00 p.m. and 6:00 p.m. MDT. Members are encouraged to register early to avoid delays.

The business session of such meeting will address the following: 1) a report of members present to establish a quorum; 2) a reading of secretary's notice of the meeting and a proof of mailing to members; 3) approval of minutes of the previous Annual Meeting; presentation and consideration of reports from Officers, Trustees, and Committees; and 4) an election by the membership of a Trustees from Districts Three (3) and Eight (8).

Pursuant to Article IV, Section 4 of the bylaws, a Committee on Nominations, in compliance with the bylaws, was appointed, and met on March 13, 2018, at 5:30 p.m. for the purpose of placing in nomination candidates for the election of two (2) Trustees from Districts Three (3) and Eight (8). A list of said nominations for Trustees has been prepared and posted at the office of Lea County Electric Cooperative, Inc., 1300 West Avenue D, Lovington, New Mexico and at 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



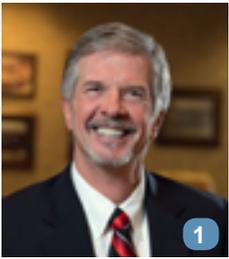
nominations by petition will likewise be prepared and posted. Nominations from the floor shall be limited to candidates whose names have been submitted to the Secretary at least 20 days prior to the date of the Annual Meeting. All nominations, including those by the Committee on Nominations, those by petition, and those to be made from the floor will be submitted to and acted upon by the membership at the 2018 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, nominations made by petition, if any, and the names of candidates to be nominated from the floor, 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 the day of the member meeting and shall be entitled to only one vote on each matter submitted to a vote at the Meeting of Members. Voting persons other than members who are natural persons (e.g. church, business, etc.) 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 main office of the Cooperative located at 1300 West Avenue D, Lovington; 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 31st day of March 2018.

A handwritten signature in dark ink, appearing to read "Dan Hardin".

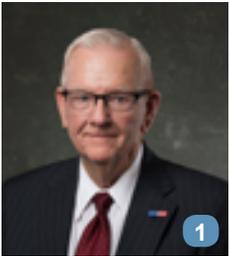
Dan Hardin, Secretary-Treasurer



**JOHN GRAHAM**  
 President  
 Spouse: Jeanine  
 Board Member since 2012  
 Representing District (One) 1  
 Occupation: Businessman/  
 Newspaper Publisher



**TRAVIS GLENN**  
 Spouse: Tonya  
 Board Member since 2016  
 Representing District (Three) 3  
 Occupation: Businessman



**ROBERT CAUDLE**  
 Vice-President  
 Spouse: Joyce  
 Board Member since 1984  
 Representing District (One) 1  
 Occupation: Landman



**RANDALL McCORMICK**  
 Spouse: Sandra  
 Board Member since 2016  
 Representing District (Five) 5  
 Occupation: Businessman



**DAN HARDIN**  
 Secretary-Treasurer  
 Spouse: Sandy  
 Board Member since 2004  
 Representing District (Four) 4  
 Occupation: Finance



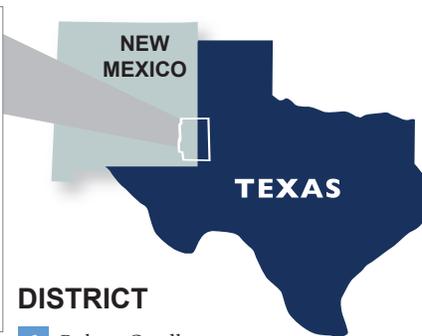
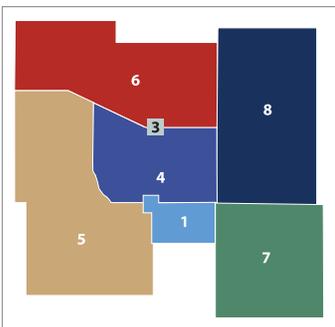
**CJ KINSOLVING**  
 Spouse: Kaitlin  
 Board Member since 2015  
 Representing District (Six) 6  
 Occupation: Ranching



**KENNETH WALLACE**  
 Spouse: Elaine  
 Board Member since 2013  
 Representing District (One) 1  
 Occupation: Businessman/Oil  
 & Gas Services

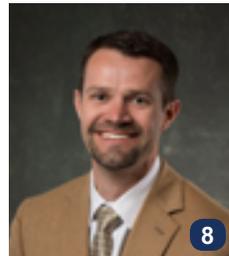


**CHARLES W. GARNER II**  
 Spouse: Christy  
 Board Member since 2014  
 Representing District (Seven) 7  
 Occupation: Farming & Ranching



**DISTRICT**

- 1 Robert Caudle
- 1 John Graham
- 1 Kenneth Wallace
- 3 Travis Glenn
- 4 Dan Hardin
- 5 Randall McCormick
- 6 CJ Kinsolving
- 7 Charles W. Garner II
- 8 Jason Swann



**JASON SWANN**  
 Spouse: Erin  
 Board Member since 2018  
 Representing District (Eight) 8  
 Occupation: Banking



**JOHN GRAHAM**



**BOBBY FERRIS**

Lea County Electric Cooperative, Inc's (LCEC) 68th year of business was a year of transition with the retirement of Gary Hurse after 13 years as General Manager and the arrival of new General Manager, Bobby Ferris in November 2017. After a yearlong nationwide search for the right person, Bobby Ferris was selected to lead the Cooperative as its fifth General Manager. Ferris is a Georgia native and has worked in the electric cooperative industry for 21 years.

In 2017, two (2) new renewable energy resources were added to LCEC's system. The Sterling Wind Farm with 13 wind turbines and a combined capacity of 30 MegaWatts (MW) located north of Tatum, New Mexico was finalized in the summer of 2017. Middle Daisy Solar Farm with an additional capacity of 5 MW located north of Lovington, New Mexico was completed in November 2017. These two (2) projects totaled 35 MW which brings LCEC's total renewable



energy resources to 77 MW including the existing Wildcat Wind Farm and Anderson Wind Farm. This exceeds the New Mexico state-mandated renewable portfolio standards (RPS) of 10% by the year 2020. LCEC's RPS are at 38% based on renewable resources capacity divided by peak load. LCEC continues to look for projects that ensure future rates are favorably impacted for our members and that energy needs are met. By negotiating at a competitive wholesale price, the Purchase Power Agreements (PPA) with the developers of these renewable resources are a benefit to the Cooperative.

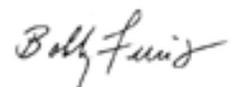
Beginning in June 2017, LCEC started purchasing capacity and energy from Western Farmers Electric Cooperative (WFEC), a Generation and Transmission (G&T) cooperative, based in Anadarko, Oklahoma, as Phase Two (2) of our XCEL transition agreement. Our membership in the Southwest Power Pool (SPP) allows for constant evaluation of transmission delivery that is continually evaluated to ensure that the membership is receiving competitive rates and reliable service.

LCEC experienced continued growth in the oil and gas sector with construction and load in the Texas/New Mexico stateline area. We continue to make upgrades to our infrastructure for current and future growth in our service territory. LCEC has experienced a slight increase in energy sales related to the growth in oil and gas industry.

The new LCEC's Operations Center was completed in February 2018 and is the location of the Emergency Operations Center which is the core communication center for the Transmission and Distribution System. It houses System Operations, Line Operations, Substation Operations, Metering Operations along with Safety-Compliance. LCEC will continue "Meeting Your Current and Future Energy Needs" while insuring that electric service is safe, reliable and affordable.



John Graham  
President  
Board of Trustees



Bobby Ferris  
Executive Vice President  
& General Manager

For over 68 years, Lea County Electric Cooperative, Inc. (LCEC) has provided high quality, low cost, reliable service that is member focused and member driven to the communities and rural areas of southeastern New Mexico and west Texas.

In 2017, LCEC undertook several large projects in our service territory. Several substations were upgraded to replace existing infrastructure in order to accommodate the oil and gas growth primarily in the Texas and New Mexico Stateline area. Future oil and gas growth is anticipated and LCEC will be upgrading and building additional substations to accommodate this growth along with upgrading and extending distribution and transmission lines.

LCEC constructed over 11 miles of new overhead construction and approximately 17 miles of line conversion in 2017. The load added was 29,940 horsepower of combined oil and gas, irrigation, and commercial load growth. Projects completed in 2017 include the new LCEC Operations Center, Lea County Courthouse, Middle Daisy Solar Farm, Sterling Wind Farm, Drylands Brewing Company, new Allsup's in Plains, Texas along with residential growth.

The board has approved the implementation of a new business solutions software that will provide added flexibility as well as how our members receive and pay their bill. This software has a component called SmartHub® that allows you to check your usage, receive special messaging, and pay your bill all on your smartphone, tablet or computer. This software upgrade will be completed by mid-year 2018.

In addition, our current software, used by our System Operations, a supervisory control and data acquisition (SCADA), will be upgraded. This software solution provides real-time supervisory control and data acquisition for our system and will improve communication between system operators and line crews to ensure that outages are repaired, power is restored, and employees are safe in a more efficient manner.

The safety of employees and members of LCEC is a top priority. The Cooperative has a vigorous safety program that consists of risk management programs to prevent, minimize injuries, illnesses, and health risks. The Administration Services, Safety, and Compliance Department oversees compliance with



several regulatory entities to assist in ensuring the Cooperative functions within the rules and regulations of the electric utility industry.

As a corporate and community supporter committed to the communities we serve, LCEC makes investing in our members a top priority. Since 1987, the Cooperative has issued 2.2 million dollars in scholarships through the LCEC Education Foundation. In 2018, the Board approved an increase from \$1,000 to \$1,250 per semester effective Fall 2018. For the past 40 years, LCEC has sponsored 89 high school sophomores, juniors, and seniors on an all-expense paid trip to Washington, D.C. through the Government-In-Action Youth Tour. LCEC's Sponsorship and Donation program allocates funds that benefit schools, community groups, and organizations in our service area.

Keeping our members updated on Cooperative activities and benefits is important to us. You can follow us through Enchantment Magazine, Texas Coop Power Magazine, local newspapers, local radio stations, our website [www.lcecnet.com](http://www.lcecnet.com), and our Twitter account @LeaCountyCoop.

# EMPLOYEES WITH YEARS OF SERVICE



**DELTON JONES**  
40 Years



**ALFREDO MELENDEZ**  
40 Years



**RUBEN AGUILAR**  
35 Years



**JUDY RAGLAND**  
25 Years



**OMAR PINON**  
20 Years



**STUART GRAHAM**  
15 Years



**ALFREDO ACOSTA**  
5 Years



**JOHN GRAHAM**  
5 Years



**BOBBY KIMBRO**  
5 Years

Ortiz, Trinidad	0 Month	Salcido, Kevin	2 Years	Alvarado, Annette	9 Years	Griffin, Alma	23 Years
Ferris, Bobby	1 Month	Coleman, Gary	3 Years	Garcia, Joe	9 Years	Lizardo, Rogelio Jr.	23 Years
Gutierrez, Herman	1 Month	Garner, Jennifer L.	3 Years	Salcido, Jane	9 Years	Cartwright, John	26 Years
Warman, Alec	3 Months	Parker, Travis	3 Years	Luna, April	11 Years	Gruenewald, Douglas	26 Years
Aliimatafitaifi, Sione	5 Months	Sealy, Shilo	3 Years	Salas, Mike	11 Years	Pando, Arthur	26 Years
Grant, Willie	6 Months	Boldt, Scott	4 Years	Utajara, Daniel	11 Years	Valencia, Mari	28 Years
Hernandez, Ricky	7 Months	Cortez, Jessica	4 Years	Autry, Cherol	12 Years	Benard, John	29 Years
Derrick, Colton	10 Months	Gonzales, Sarah	4 Years	McDaniel, Denise	12 Years	Capps, Robert	34 Years
Bounds, Wade	1 Year	Alvarado, Anna Erminia	6 Years	Porter, Kenneth	12 Years	Quiroz, Manuel G. Jr.	34 Years
Glover, Benjamin	1 Year	Boroughs, Skyler	6 Years	Gutierrez, Manuel	13 Years	Faris, Mike	36 Years
Lisby, Amanda	1 Year	Connolly, Joyce	6 Years	White, Greg	13 Years	Raburn, Shawn Dee	36 Years
Garcia, Armando Jr.	2 Years	Dominguez, Manuela M.	6 Years	Insilan, Rosie	14 Years	Chrisman, Floyd	37 Years
Hockenberry, Tyler F.	2 Years	Munoz, Justin	6 Years	Marquez, Adam	14 Years	Butcher, Bernard	39 Years
Jenkins, Aaron D.	2 Years	Cook, Kevin	7 Years	Rivera, E. Ray	14 Years	Faris, Janette	41 Years
Mendoza, Heli	2 Years	Arenivas, Manuela	8 Years	Willis, Bradley	17 Years	McBride, Edward	42 Years
Ontiveros, Lora	2 Years	Caudillo, Michael	8 Years	Coleman, Kyle	19 Years		
Perdue, Rilda	2 Years	Glanton, Sheryl	8 Years	Kerby, D. Britt	19 Years		
Plant, Clay	2 Years	Neff, Jason	8 Years	Porras, Ricky P.	19 Years		



TERRY DAVIS

Terry Davis, Lea County Electric Cooperative, Inc. (LCEC) retired Trustee, loving husband and devoted father passed away February 7, 2018.

Davis served on the LCEC Board of Trustees for 33 years, representing District Eight (8) in the Plains, Texas area. During his service on the LCEC Board, Davis took part in the hiring of three (3) General Managers.

Davis was a biology teacher for 14 years and enjoyed working with young people. He was a farmer for 45 years. As a classic car enthusiast, he enjoyed collecting, restoring and drag racing.

Davis served on several local and state boards including the Plains School Board and Farm Bureau. Davis served his country in the Army National Guard for six (6) years. Davis and his wife, Wadonna, have two (2) sons Terry and Johnny.

## RETIREES



GARY HURSE

Gary Hurse was honored with a retirement reception on December 14, 2017, which was declared by the Senate of the State of New Mexico to be Gary Hurse Day after 13 years of service to LCEC as its General Manager.

Hurse was hired in 2004 and given the top priority of determining the future power supply for LCEC. During his tenure, he spearheaded the planning and construction of LCEC Generation, LLC, a state-of-the-art powerplant; negotiated a new power supply contract existing off of the XCEL system by 2026; joined Western Farmers Electric Cooperative (WFEC), a Generation and Transmission Cooperative (G&T); and negotiated Purchase Power Agreements of three (3) wind farms and one (1) solar plant developed in the LCEC service area. Due to Hurse's efforts, LCEC is positioned for the future exceeding the State Mandated Renewal Energy requirements for the State of New Mexico. He will continue to assist LCEC as a consultant for power supply.

The Board of Trustees and employees wish Hurse, his wife, Virginia, and family the best in his retirement.



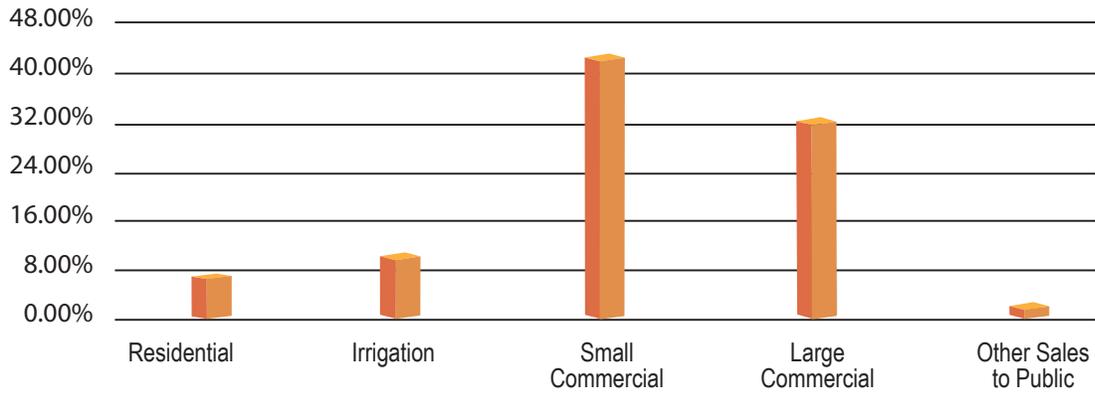
JUAN CONTRERAS

Juan Contreras retired on January 31, 2017, after 18 years of service at Lea County Electric Cooperative, Inc. (LCEC). Contreras began his career as a Transformer Shop Technician Apprentice and worked his way through the ranks to Transformer Shop Foreman and finalized his career as a Substation Lineman.

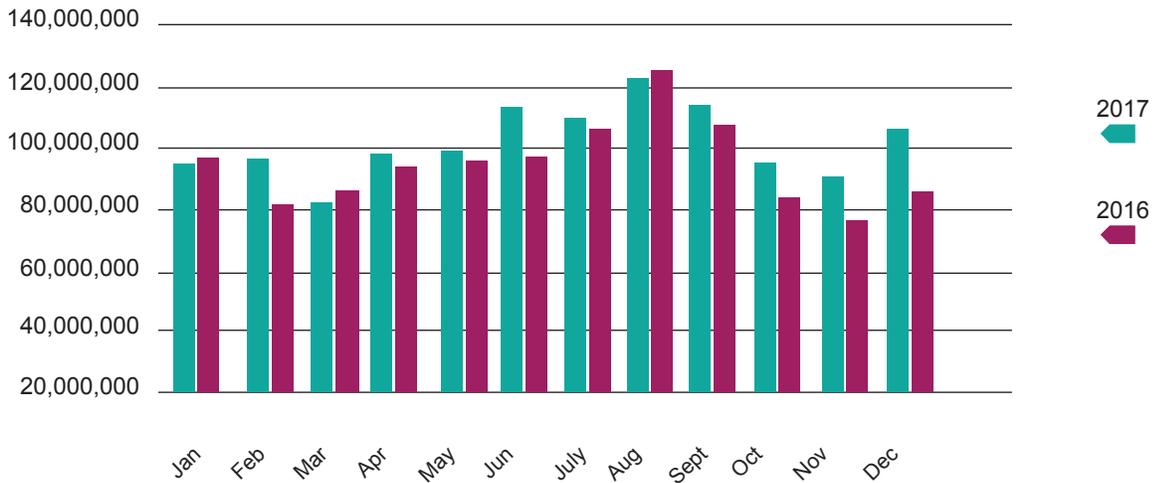
Contreras was nominated Employee of Month in November 2009 for the excellent work he did in the transformer shop, his assistance with substation construction and maintenance, after-hours work on oil spills, maintenance and upkeep of the buildings, and willingness to learn as well as teach.

Contreras and his wife Amalia look forward to many years of retirement with their four (4) children, Edelmira, Sonia, Fabian and Juan Jr. and grand-children. The Cooperative congratulates Juan on a job well done.

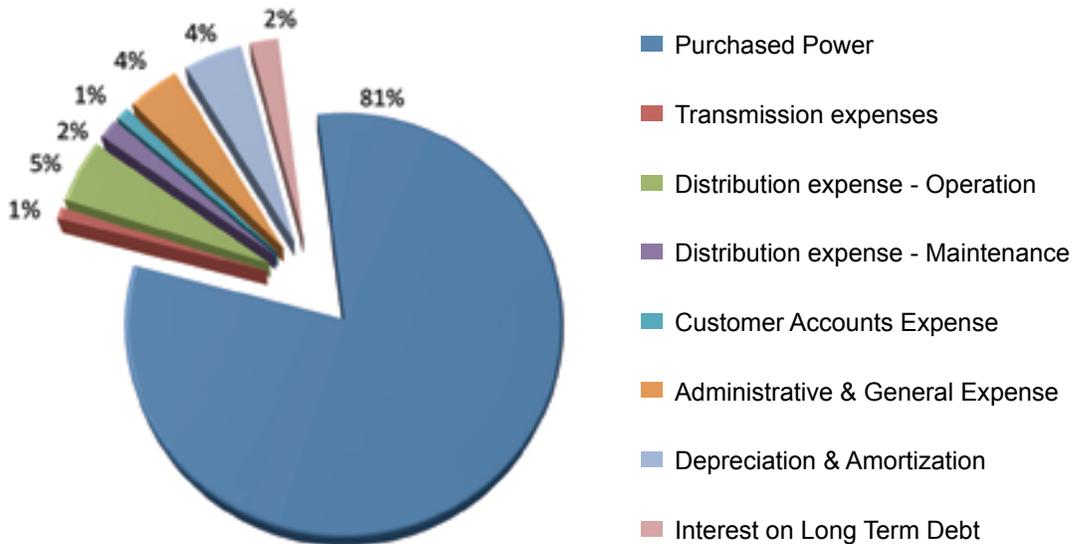
## 2017 CONSUMER SALES



## 2017 KWH SALES



## 2017 OPERATING EXPENSES



**STATEMENTS OF INCOME, COMPREHENSIVE INCOME  
AND PATRONAGE CAPITAL  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Years Ended December 31,				Increase (Decrease)
	2017		2016		
	Amount	%	Amount	%	
<b>OPERATING REVENUES</b>					
Residential	\$ 10,067,885	11.0	\$ 8,632,253	10.4	\$ 1,435,632
Irrigation	14,015,220	15.3	10,642,143	12.9	3,373,077
Commercial and Industrial	70,419,139	76.6	54,596,123	66.1	15,823,016
Public Buildings and Other Authorities	1,310,623	1.4	1,140,302	1.4	170,321
Accrued Unbilled Revenue	1,623,580	1.8	209,132	0.3	1,414,448
Power Cost (Over) Under Collected	(6,322,827)	(6.9)	6,525,990	7.9	(12,848,817)
Other Operating Revenues	779,528	0.8	827,726	1.0	(48,198)
Total Operating Revenues	<u>\$ 91,893,148</u>	<u>100.0</u>	<u>\$ 82,573,669</u>	<u>100.0</u>	<u>\$ 9,319,479</u>
<b>OPERATING EXPENSES</b>					
Purchased Power	\$ 69,865,786	76.0	\$ 63,513,101	76.9	\$ 6,352,685
Transmission	746,021	0.8	791,060	1.0	(45,039)
Distribution - Operation	4,232,495	4.6	4,232,749	5.1	(254)
Distribution - Maintenance	1,340,057	1.5	1,442,205	1.7	(102,148)
Customer Accounts	880,407	1.0	940,060	1.1	(59,653)
Customer Service and Information	50,356	0.1	57,589	0.1	(7,233)
Sales	31,371	0.0	37,081	0.0	(5,710)
Administrative and General	3,447,049	3.8	3,743,879	4.5	(296,830)
Depreciation and Amortization	3,867,650	4.2	3,663,246	4.4	204,404
Cost of Removal	2,158,181	2.3	2,043,195	2.5	114,986
Interest Credit - Cost of Removal					
Restricted Funds Earnings	(911,415)	(1.0)	(956,880)	(1.2)	45,465
Taxes	84,734	0.1	47,724	0.1	37,010
Other Interest and Deductions	75,433	0.1	67,920	0.1	7,513
Total Operating Expenses	<u>\$ 85,868,125</u>	<u>93.5</u>	<u>\$ 79,622,929</u>	<u>96.3</u>	<u>\$ 6,245,196</u>
<b>OPERATING MARGINS - Before Fixed Charges</b>	\$ 6,025,023	6.5	\$ 2,950,740	3.7	\$ 3,074,283
<b>FIXED CHARGES</b>					
Interest on Long-Term Debt	<u>1,845,296</u>	<u>2.0</u>	<u>1,789,677</u>	<u>2.2</u>	<u>55,619</u>
<b>OPERATING MARGINS - After Fixed Charges</b>	\$ 4,179,727	4.5	\$ 1,161,063	1.5	\$ 3,018,664
Capital Credits	<u>1,924,991</u>	<u>2.1</u>	<u>1,364,700</u>	<u>1.7</u>	<u>560,291</u>
<b>NET OPERATING MARGINS</b>	<u>\$ 6,104,718</u>	<u>6.6</u>	<u>\$ 2,525,763</u>	<u>3.2</u>	<u>\$ 3,578,955</u>
<b>NONOPERATING ITEMS</b>					
Interest Income	\$ 1,041,579	1.1	\$ 790,805	1.0	\$ 250,774
Gain on Sale of Property	39,461	0.0	1,871	0.0	37,590
	<u>\$ 1,081,040</u>	<u>1.1</u>	<u>\$ 792,676</u>	<u>1.0</u>	<u>\$ 288,364</u>
<b>NET MARGINS</b>	<u>\$ 7,185,758</u>	<u>7.7</u>	<u>\$ 3,318,439</u>	<u>4.2</u>	<u>\$ 3,867,319</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Current Year APBO Valuation Adjustment	313,900		33,200		
Post-Retirement Benefit Amortization	<u>(56,400)</u>		<u>(240,000)</u>		
<b>COMPREHENSIVE INCOME</b>	<u>\$ 7,443,258</u>		<u>\$ 3,111,639</u>		
Post-Retirement Benefit Adjustment	(257,500)		206,800		
<b>PATRONAGE CAPITAL - BEGINNING OF YEAR</b>	87,637,996		85,683,167		
Patronage Capital Retired	<u>(1,892,291)</u>		<u>(1,363,610)</u>		
<b>PATRONAGE CAPITAL - END OF YEAR</b>	<u>\$ 92,931,463</u>		<u>\$ 87,637,996</u>		

# BALANCE SHEET

## BALANCE SHEETS DECEMBER 31, 2017 AND 2016

### ASSETS

	December 31,	
	<u>2017</u>	<u>2016</u>
UTILITY PLANT AT COST		
Utility Plant in Service	\$ 192,967,755	\$ 181,291,161
Construction Work in Progress	2,331,534	715,521
Contributions in Aid of Construction	<u>(34,552,879)</u>	<u>(31,509,268)</u>
	\$ 160,746,410	\$ 150,497,414
Less: Accumulated Provision for Depreciation	<u>69,611,991</u>	<u>67,034,627</u>
	<u>\$ 91,134,419</u>	<u>\$ 83,462,787</u>
OTHER PROPERTY AND INVESTMENTS		
Non-Utility Property (At Cost)	\$ 46,482	\$ 74,537
Investments in Associated Organizations	29,953,111	28,176,451
Other Investments	4,857,953	7,542,453
Special Funds - Restricted	35,121,371	36,188,635
Employee Benefit Funds - Restricted	1,820,038	1,543,872
Post-Retirement Benefits	<u>1,635,100</u>	<u>1,171,900</u>
	<u>\$ 73,434,055</u>	<u>\$ 74,697,848</u>
CURRENT ASSETS		
Cash	\$ 944,269	\$ 1,364,454
Temporary Investments - Cash Equivalents	12,810,682	9,197,348
Temporary Investments - Other	5,133,000	5,042,000
Accounts and Notes Receivable (Less allowance for uncollectibles of \$318,127 in 2017 and \$279,167 in 2016)	7,756,706	9,286,873
Power Cost - Under Collected		3,822,030
Accrued Unbilled Revenue	7,987,301	6,363,722
Materials and Supplies	2,801,546	2,261,262
Other Current and Accrued Assets	<u>424,690</u>	<u>429,420</u>
	<u>\$ 37,858,194</u>	<u>\$ 37,767,109</u>
DEFERRED DEBITS	<u>\$ 1,428,185</u>	<u>\$ 1,967,773</u>
TOTAL ASSETS	<u>\$ 203,854,853</u>	<u>\$ 197,895,517</u>

### EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 35,640	\$ 35,215
Patronage Capital	92,931,463	87,637,996
Accumulated Other Comprehensive Income	712,600	455,100
Other Equities	<u>2,096,696</u>	<u>2,096,696</u>
	<u>\$ 95,776,399</u>	<u>\$ 90,225,007</u>
LONG-TERM DEBT		
RUS Mortgage Notes Less Current Maturities	\$ 1,249,029	\$ 1,371,354
FFB Notes Less Current Maturities	54,339,793	56,119,164
CFC Mortgage Notes Less Current Maturities	1,599,247	1,965,654
CoBank Mortgage Notes Less Current Maturities	1,959,732	2,600,186
RUS Advance Payments	<u>(10,754,678)</u>	<u>(10,233,337)</u>
	<u>\$ 48,393,123</u>	<u>\$ 51,823,021</u>
COST OF REMOVAL LIABILITY	<u>\$ 39,146,351</u>	<u>\$ 37,870,007</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 3,069,000	\$ 2,756,000
Accounts Payable - Purchased Power	6,505,544	5,311,552
Accounts Payable - Other	1,840,532	2,209,321
Power Cost - Over Collected	2,500,797	
Consumer Deposits	2,732,944	2,704,160
Other Current and Accrued Liabilities	<u>1,697,480</u>	<u>1,655,199</u>
	<u>\$ 18,346,297</u>	<u>\$ 14,636,232</u>
DEFERRED CREDITS	<u>\$ 2,192,683</u>	<u>\$ 3,341,250</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 203,854,853</u>	<u>\$ 197,895,517</u>

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	December 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins	\$ 7,185,758	\$ 3,318,439
Adjustments To Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	4,297,653	4,081,634
Cost of Removal Accruals - Gross	2,158,180	2,043,195
Post-Retirement Benefit (Expense)	(128,700)	(333,214)
Capital Credits	(1,924,991)	(1,364,700)
Power Cost Recovery	6,322,827	(6,526,002)
Deferred Debits	539,588	1,201,315
Deferred Credits	(1,148,567)	(1,770,584)
Accounts and Notes Receivable	(93,412)	(2,278,701)
Inventories and Prepaid Expenses	(535,554)	672,072
Payables and Other Accrued Liabilities	896,268	508,455
Net Cash From Operating Activities	\$ 17,569,050	\$ (448,091)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Utility Plant	\$ (12,170,242)	\$ (2,802,814)
Cost of Removal Incurred	(976,190)	(1,418,862)
Contributions and Other Additions to Cost of Removal	94,354	45,284
Salvage and Other Credits	200,957	173,417
Other Property and Investments	3,560,984	(62,080)
Net Cash From Investing Activities	\$ (9,290,137)	\$ (4,065,055)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt to RUS - Scheduled	\$ (125,325)	\$ (125,221)
Payments on Long-Term Debt to RUS - Advance Payments	(521,341)	(496,068)
Payments on Long-Term Debt to FFB	(1,512,371)	(1,345,389)
Payments on Long-Term Debt to CFC	(345,407)	(326,947)
Payments on Long-Term Debt to CoBank	(612,454)	(582,136)
Advance on Long-Term Debt from FFB		6,195,237
Payments on Behalf of Retirees	(77,000)	(111,400)
Retirement of Patronage Capital	(1,892,291)	(1,363,610)
Memberships	425	30
Net Cash From Financing Activities	\$ (5,085,764)	\$ 1,844,496
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	\$ 3,193,149	\$ (2,668,650)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	10,561,802	13,230,452
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 13,754,951	\$ 10,561,802



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## Lea County Electric Cooperative, Inc.

"Owned By Those We Serve"

P.O. Drawer 1447  
Lovington, New Mexico 88260

# The Lea County Electric Cooperative, Inc. Board of Trustees

Cordially invites you to join us at our

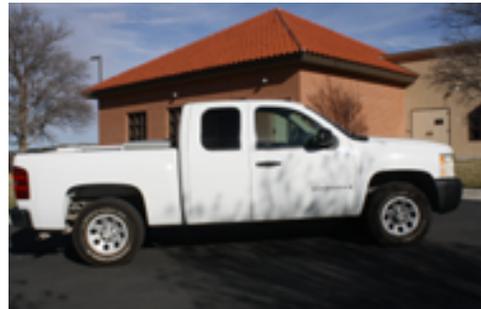
## 2018 ANNUAL MEETING OF THE MEMBERS

Friday, April 27, 2018 • 6:00 PM (MDT) • Doors Open at 5:00 PM  
Pannell Auditorium | 701 West Avenue K, Lovington, New Mexico



### ENTERTAINMENT

Provided by Well Known Magician  
Joshua Lozoff



### DOOR PRIZES

Electricity Vouchers, Dell Computer, 55" HDTV, iPad,  
Apple Watch, and the Grand Prize—a Pre-Owned Truck!

## DISTRICT LOCATIONS TO SERVE YOU



### Tatum, NM Office

203 S. Main  
575-398-2233



### Lovington, NM Office

1300 W. Avenue D  
575-396-3631



### Plains, TX Office

507 9th Street  
806-456-3322

Toll Free: 1-800-510-5232 • Fax: 575-396-3634  
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