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The Voice of New Mexico's
Rural Electric Cooperatives

LEA COUNTY ELECTRIC COOPERATIVE, INC.

2022

ANNUAL REPORT



"OWNED BY
THOSE WE
SERVE"

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registration!*

Annual Meeting Registration Card



Lea County Electric
Cooperative, Inc.
P.O. Drawer 1447
Lovington, New Mexico 88260
A member of the
"Owned by Those We Serve"

RUDY S. TREVINO
2140A FM 1757
DENVER CITY, TX 79323



Be sure to bring this card with you to register at the Meeting

Notice of Annual Meeting



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

Notice is hereby given that the 2023 Annual Meeting of Members of Lea County Electric Cooperative, Inc. will be held Friday, April 28, 2023, 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. The business session of the meeting will be streamed live on the Lea County Electric Facebook page at 6:00 p.m., MDT. The meeting will be conducted in a drive-through process. Said meeting is in compliance with the adopted bylaws of the Cooperative and is for the purpose of electing two Trustees, passing upon reports from the previous calendar year, and for the transaction of such other business as may come before the meeting.

Registration of members will be held Friday, April 28, 2023, during business hours at the following locations: at the main office of the Cooperative, 1300 W. Avenue D, Lovington, New Mexico, or 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.

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 2022 Annual Meeting; presentation and consideration of reports from officers, trustees, and committees; and 4) an election by the membership of two Trustees one from District Three and one from District Eight 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 7, 2022, at 5:30 p.m. for the purpose of placing in nomination candidates for the election of two Trustees: one from District Three and one from District Eight for the 2023 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 2023.

A handwritten signature in black ink, appearing to read "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
Spouse: Joyce
Occupation: Landman



RANDALL MCCORMICK
District 5
Spouse: Sandra
Occupation: Businessman



DAN HARDIN
Secretary-Treasurer
District 1
Spouse: Sandy
Occupation: Retired Finance



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



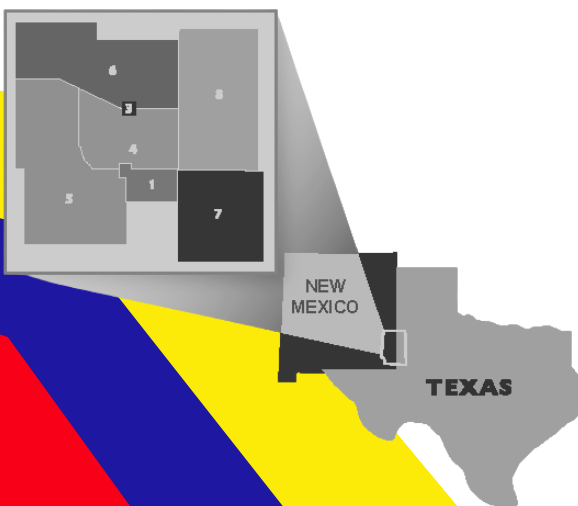
KENNETH WALLACE
District 1
Spouse: Elaine
Occupation: Businessman/
Oil & Gas Services



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



JASON SWANN
District 8
Spouse: Erin
Occupation: Insurance



Year in Review

First and foremost, we want to thank all our members for their support throughout 2022. As we entered 2022, we were optimistic in hopes of having the pandemic behind us. However, in the financial world, the word inflation kept us cautious. As the year transpired, we experienced record inflation. Increased costs and long lead times in materials increased substantially, making meeting deadlines on system projects and member requests challenging. Despite these obstacles, we continued to work hard to maintain our mission statement: “Lea County Electric is a community-focused cooperative that strives to be innovative and environmentally friendly while providing its members high value, low cost, and safe reliable service.”

The Cooperative has worked hard to upgrade and maintain its distribution system. It began by adding load to the system of over 20,000 horsepower (hp) related to oil and gas requests and more than 1,800 hp for irrigation. The staking department worked over 375 jobs. In 2022 several miles of line were converted to a larger conductor to accommodate growth. Over 100 idle services were retired. The design for upgrades of the Plains and Waits Interchanges has begun along with the new South Lovington Substation. The South Lovington Substation will be reconstructed entirely and built on the west side of Arkansas Junction. The annual pole inspection consisted of 4,947 poles inspected, and only 174 were rejected.

In 2022 we began a Cost-of-Service Study to evaluate our rates. This study makes sure that each rate class is covering their proportionate share of the cooperative’s expenses. The Study resulted in a small rate increase due to the increase in the cooperative’s operating costs along with rising wholesale power prices and increasing regulatory requirements.

As a cooperative we value our 7th Cooperative Principle, “Concern for Community”. We not only focus on our members needs but also the development of our communities. This year three local organizations, Lovington Youth Sports Organization, Lovington Food Coalition, and Backpack for Kids received \$15,000 combined grants through the Sharing Success program sponsored by



John Graham



Bobby Ferris

CoBank. In addition, LCEC also granted over \$32,000 to local schools, groups, and organizations.

Here at LCEC we are invested in our youth since they are our future. We created a program, Bright Ideas, to assist local teachers with innovative classroom programs. Since the mid-1980s, the Cooperative has been able to grant scholarships to students that are dependents of active members. Twenty students received the one-time \$7,500 scholarship in 2022, which has been increased to \$8,000 for this upcoming fall. We proudly participate in the annual livestock sales at Gaines, Lea, and Yoakum Counties donating close to \$45,000. The Cooperative distributed \$1.1 million in capital credits, which represented 50% of the patronage allocated for 1999 for those who were members at that time. Each year we conduct safety presentations to teach our communities and youth all about electrical safety. Our LCEC employees have participated in local career days highlighting the many careers in a Cooperative varying from engineering, accounting, marketing, customer service, lineman, to information technology. Every October, we proudly host our Member Appreciation events in Lovington, Tatum, and Plains; this allows us to visit and personally thank everyone for their membership and support.

We look forward to seeing everyone at the Annual Meeting of the Members scheduled for Friday, April 28. Last year’s Annual Meeting was well attended by 833 registered members. We will continue to have the drive-through registration at the Lovington, New Mexico office. Tatum, New Mexico, and Plains, Texas offices will be in-lobby registration. Thanks again for your trust in Lea County Electric Cooperative.

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, 2022 AND 2021

	Years Ended December 31,				Increase (Decrease)
	2022		2021		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 13,971,658	11.8	\$ 10,912,988	11.6	\$ 3,058,670
Irrigation	17,436,292	14.9	13,675,726	14.6	3,760,566
Commercial and Industrial	85,148,886	72.6	62,167,126	66.6	22,981,760
Public Buildings and Other Authorities	1,691,997	1.4	1,194,904	1.3	497,093
Accrued Unbilled Revenue	767,379	0.7	(41,848)	0.0	809,227
Power Cost (Over) Under Collected	(2,379,232)	(2.0)	4,827,618	5.2	(7,206,850)
Other Operating Revenues	712,505	0.6	666,869	0.7	45,636
Total Operating Revenues	<u>\$ 117,349,485</u>	<u>100.0</u>	<u>\$ 93,403,383</u>	<u>100.0</u>	<u>\$ 23,946,102</u>
OPERATING EXPENSES					
Purchased Power	\$ 92,922,062	79.2	\$ 72,802,206	77.9	\$ 20,119,856
Transmission	938,062	0.8	840,518	0.9	97,544
Distribution - Operation	5,622,323	4.8	5,482,130	5.9	140,193
Distribution - Maintenance	1,282,565	1.1	843,268	0.9	439,297
Customer Accounts	1,022,064	0.9	1,053,382	1.1	(31,318)
Customer Service and Information	33,943	0.0	38,227	0.0	(4,284)
Sales	5,769	0.0	5,046	0.0	723
Administrative and General	4,208,052	3.6	3,827,851	4.1	380,201
Depreciation and Amortization	4,912,020	4.2	4,752,580	5.1	159,440
Cost of Removal	2,580,124	2.2	2,483,160	2.7	96,964
Interest Credit - Cost of Removal					
Restricted Funds Earnings	(914,620)	(0.8)	(841,752)	(0.9)	(72,868)
Taxes	92,609	0.1	70,391	0.1	22,218
Other Interest and Deductions	33,813	0.0	9,868	0.0	23,945
Total Operating Expenses	<u>\$ 112,738,786</u>	<u>96.1</u>	<u>\$ 91,366,875</u>	<u>97.8</u>	<u>\$ 21,371,911</u>
OPERATING MARGINS - Before					
Fixed Charges	\$ 4,610,699	3.9	\$ 2,036,508	2.2	\$ 2,574,191
FIXED CHARGES					
Interest on Long-Term Debt	<u>1,996,250</u>	<u>1.7</u>	<u>1,796,154</u>	<u>1.9</u>	<u>200,096</u>
OPERATING MARGINS - After					
Fixed Charges	\$ 2,614,449	2.2	\$ 240,354	0.3	\$ 2,374,095
Capital Credits	<u>2,476,147</u>	<u>2.1</u>	<u>1,900,016</u>	<u>2.0</u>	<u>576,131</u>
NET OPERATING MARGINS	<u>\$ 5,090,596</u>	<u>4.3</u>	<u>\$ 2,140,370</u>	<u>2.3</u>	<u>\$ 2,950,226</u>
NONOPERATING ITEMS					
Investment Income (Loss)	\$ (672,202)	(0.6)	\$ 285,513	0.3	\$ (957,715)
Gain (Loss) on Sale of Property	<u>(1,355)</u>	<u>0.0</u>	<u>8,121</u>	<u>0.0</u>	<u>(9,476)</u>
	<u>\$ (673,557)</u>	<u>(0.6)</u>	<u>\$ 293,634</u>	<u>0.3</u>	<u>\$ (967,191)</u>
NET MARGINS	<u>\$ 4,417,039</u>	<u>3.7</u>	<u>\$ 2,434,004</u>	<u>2.6</u>	<u>\$ 1,983,035</u>
OTHER COMPREHENSIVE INCOME (LOSS)					
Current Year APBO Valuation Adjustment	(508,426)				
Post-Retirement Benefit Amortization	<u>(63,435)</u>		<u>(64,268)</u>		
COMPREHENSIVE INCOME	<u>\$ 3,845,178</u>		<u>\$ 2,369,736</u>		
Post-Retirement Benefit Adjustment	571,861		64,268		
PATRONAGE CAPITAL - BEGINNING OF YEAR	96,429,342		97,588,282		
Patronage Capital Retired	<u>(1,279,823)</u>		<u>(3,592,944)</u>		
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 99,566,558</u>		<u>\$ 96,429,342</u>		

Balance Sheets

LEA COUNTY ELECTRIC COOPERATIVE, INC.

BALANCE SHEETS DECEMBER 31, 2022 AND 2021

ASSETS

	December 31,	
	2022	2021
UTILITY PLANT AT COST		
Utility Plant in Service	\$ 247,766,387	\$ 237,987,546
Construction Work in Progress	4,548,515	4,989,064
Contributions in Aid of Construction	(58,400,170)	(56,727,129)
	<u>\$ 193,914,732</u>	<u>\$ 186,249,481</u>
Less: Accumulated Provision for Depreciation	81,296,569	77,896,875
	<u>\$ 112,618,163</u>	<u>\$ 108,352,606</u>
OTHER PROPERTY AND INVESTMENTS		
Non-Utility Property (At Cost)	\$ 46,482	\$ 46,482
Investments in Associated Organizations	37,330,641	34,957,218
Other Investments	9,378,212	9,313,214
Special Funds - Restricted	39,685,328	38,820,311
Employee Benefit Funds - Restricted	2,229,719	2,644,494
Post-Retirement Benefits	2,563,588	2,878,277
	<u>\$ 91,233,970</u>	<u>\$ 88,659,996</u>
CURRENT ASSETS		
Cash	\$ 878,459	\$ 731,420
Temporary Investments - Cash Equivalents	21,359,428	6,196,059
Other Temporary Investments	5,206,667	
Accounts and Notes Receivable (Less allowance for uncollectibles of \$327,059 in 2022 and \$297,863 in 2021)	9,591,134	11,518,553
Accrued Unbilled Revenue	7,533,963	6,766,583
Power Cost - Under Collected	2,789,848	5,169,080
Materials and Supplies	4,201,657	3,361,684
Other Current and Accrued Assets	404,993	846,546
	<u>\$ 51,966,149</u>	<u>\$ 34,589,925</u>
DEFERRED DEBITS	<u>\$ 659,428</u>	<u>\$ 933,591</u>
TOTAL ASSETS	<u>\$ 256,477,710</u>	<u>\$ 232,536,118</u>

EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 36,400	\$ 36,320
Patronage Capital	99,566,558	96,429,342
Accumulated Other Comprehensive Income	57,467	629,328
Other Equities	2,096,696	2,096,696
	<u>\$ 101,757,121</u>	<u>\$ 99,191,686</u>
LONG-TERM DEBT		
FFB Notes Less Current Maturities	\$ 76,610,781	\$ 66,051,052
CFC Mortgage Notes Less Current Maturities	698,372	891,056
CoBank Mortgage Notes Less Current Maturities	717,304	1,013,684
RUS Advance Payments		(118,078)
	<u>\$ 78,026,457</u>	<u>\$ 67,837,714</u>
COST OF REMOVAL LIABILITY	<u>\$ 47,322,238</u>	<u>\$ 45,756,931</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 2,834,000	\$ 2,486,000
Accounts Payable - Purchased Power	7,585,054	6,745,802
Accounts Payable - Other	1,909,184	565,866
Consumer Deposits	5,200,836	2,691,924
Other Current and Accrued Liabilities	1,840,187	1,827,219
	<u>\$ 19,369,261</u>	<u>\$ 14,316,811</u>
DEFERRED CREDITS	<u>\$ 10,002,633</u>	<u>\$ 5,432,976</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 256,477,710</u>	<u>\$ 232,536,118</u>

Statements of Cash Flows

LEA COUNTY ELECTRIC COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	December 31,	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 4,417,039	\$ 2,434,004
Adjustments To Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	5,250,012	5,083,085
Cost of Removal Accruals - Gross	2,580,124	2,483,160
Post-Retirement Benefits	(205,584)	(510,723)
Capital Credits	(2,476,147)	(1,900,016)
Power Cost Recovery	2,379,232	(6,422,980)
Deferred Debits	274,163	(67,773)
Deferred Credits	4,569,657	502,521
Accounts and Notes Receivable	1,160,039	1,138,307
Inventories and Prepaid Expenses	(398,420)	(1,037,737)
Payables and Other Accrued Liabilities	4,704,450	1,315,961
Net Cash From Operating Activities	<u>\$ 22,254,565</u>	<u>\$ 3,017,809</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (9,577,513)	\$ (8,203,856)
Cost of Removal Incurred	(1,036,169)	(1,056,949)
Contributions and Other Additions to Cost of Removal	21,352	27,898
Salvage and Other Credits	61,944	114,125
Other Property and Investments	(5,619,183)	(4,790,831)
Net Cash From Investing Activities	<u>\$ (16,149,569)</u>	<u>\$ (13,909,613)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance Payments	\$ 118,078	\$ 918,167
Payments on Long-Term Debt to FFB	(2,342,085)	(1,790,197)
Payments on Long-Term Debt to CFC	(192,684)	(184,421)
Payments on Long-Term Debt to CoBank	(283,380)	(269,589)
Advance on Long-Term Debt from FFB	13,236,814	10,684,733
Payments on Behalf of Retirees	(51,588)	(89,972)
Retirement of Patronage Capital	(1,279,823)	(3,592,944)
Memberships	80	(380)
Net Cash From Financing Activities	<u>\$ 9,205,412</u>	<u>\$ 5,675,397</u>
CHANGE IN CASH AND CASH EQUIVALENTS	\$ 15,310,408	\$ (5,216,407)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,927,479</u>	<u>12,143,886</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 22,237,887</u>	<u>\$ 6,927,479</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	<u>\$</u>	<u>\$ 1,796,154</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

Annual Meeting Registration Card



**Lea County Electric
Cooperative, Inc.**

P.O. Drawer 1447
Lovington, New Mexico 88260

A Touchstone Energy® Cooperative 
The power of human connection®

"Owned By Those We Serve"

Be sure to bring this card with you to register at the Meeting

74th

ANNUAL MEETING OF THE MEMBERS

FRIDAY APRIL 28 2023

GRAND PRIZE \$2,500

REGISTRATION GIFT



Two-Tone Silicone Oven Mitt

Register at any LCEC office during business hours 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)