



making a  
**DIFFERENCE**





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

Notice is hereby given that the 2015 Annual Meeting of Members of Lea County Electric Cooperative, Inc. will be held Friday, April 24, 2015, at the hour of 6:00 p.m., MDT, at Pannell Auditorium, 701 West Avenue K, at 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 24, 2015 at the following locations: between 8:00 a.m. and 4:00 p.m., MDT, at the main office of the Cooperative, 1300 West Avenue D, Lovington, New Mexico and at the Tatum district office, 203 South Main, Tatum, New Mexico; between 8:00 a.m. and 4:00 p.m., CDT, at the Plains district office, 507 9<sup>th</sup> Street, Plains, Texas; and between 5:00 p.m. and 6:00 p.m., MDT, at Pannell Auditorium. You 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 meeting and a proof of mailing to members; 3) approval of minutes of the previous Annual Meeting; 4) presentation and consideration of reports from Officers, Trustees and Committees; and 5) an election by the membership of two (2) Trustees: one (1) from District One and one (1) from District Six.

GENERAL INFORMATION: A Committee on Nominations, in compliance with the bylaws, was appointed, and met on March 5, 2015 at 12:00 p.m. for the purpose of placing in nomination candidates for the election of one (1) Trustee from District One and one (1) Trustee from District Six. 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. Other nominations may be made by petition signed by fifteen or more members acting together, no less than twenty 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 twenty 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 2015 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 (1) 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 31<sup>st</sup> day of March, 2015.

Dan Hardin, Secretary-Treasurer



JOHN INGLE



GARY L. HURSE

Long-time members of Lea County Electric Cooperative, Inc. (LCEC) have enjoyed the many advantages of membership in our electric cooperative. Those who may have purchased their electricity through investor-owned utilities will easily be able to distinguish the benefits of belonging to a Cooperative such as foresight, reliability, stability and commitment. With the demands the utility industry faces today and in the future, these qualities are essential to success.

The LCEC Board of Trustees and Management showed great foresight and ingenuity in addressing challenges related to LCEC future power supply and the cost of service. LCEC members have followed our path

in joining Western Farmers Electric Cooperative (WFEC) and building our own generation plant as an answer to future power supply needs. Our landscape has evolved with the construction of wind turbines to capture and utilize this renewable energy in our territory. During this time, LCEC joined the Southwest Power Pool (SPP), the integrated market where energy is traded, and continues to proactively examine options and monitor the industry in areas impacting our membership.

Planning is an essential element in providing reliable service to our members. LCEC invests both financial and manpower resources for our four-year work plan to achieve this goal. As you will read in coming pages, we have implemented an upgraded communication system. This improvement allows LCEC to monitor the system, diagnose problems, and protect equipment system-wide by remotely controlling breakers and equipment. This enables a quicker response to outages. The integrity of our system is safeguarded through maintenance and, when necessary, new construction. The scheduled pole replacement program ensures the stability of our poles which are exposed to extreme elements throughout the years. We analyzed our distribution system and made the necessary modifications at one of our switching stations to guarantee reliability to the transmission grid. In 2014, LCEC entered into a Purchase Power Agreement (PPA) with the wind farm project in the Caprock area. The addition of the Caprock Wind Project will cover our Renewable Portfolio Standard (RPS) requirements for the next five (5) years.

Rate stability is being addressed through our power supply contract with WFEC, the LCEC Generation power plant, and renewable projects. Inevitably, however, rates will go up due to environmental regulatory issues that will impact coal plants and the overall utility industry. One of the factors for increased rates is the proposed Environmental Protection Agency (EPA) Clean Air Act, 111B and 111D. The EPA is, on both the state and federal level, issuing regulations addressing carbon pollution from existing and new plants. If we look back to 1970, the Department of Energy (DOE) was concerned that the natural gas supply, which was the primary resource that the utility industry was utilizing at that time, was at risk. As a solution, coal-fired generation plants became the resource in the late 1970's and early 1980's. Coal remains the lowest cost resource. By shifting back to natural gas, we have come full circle.

LCEC wants our members to understand the risk and high cost of implementing natural gas as a main power resource. The current infrastructure for gas pipelines does not match up with where the plants need to be built. Utilities and their consumers will have the responsibility of assuming the costs of decommissioning coal-fired plants and constructing new infrastructure for the gas plants. This will substantially increase the cost of electricity to the end user.

The LCEC Generation plant enables our Cooperative to hedge a small portion of the increasing costs. However, it will not protect LCEC from all of the future costs associated with future regulatory requirements. While many people feel that environmental issues are partisan issues, we think the environmental clean-up issue will remain a topic of discussion for all citizens regardless of their political affiliation. The LCEC Board and Management believe it is imperative that all parties work together to establish a balanced environmental solution to keep energy rates from skyrocketing with the costs associated with environmental policies.

LCEC continues to be actively concerned with these issues on our local, state and national levels and is committed to being part of the conversation to help make environmental costs balanced. In turn, we will educate our members how to successfully utilize and conserve energy efficiently as costs increase related to environmental regulations. LCEC has demonstrated our commitment to be a good environmental citizen with the LCEC Generation power plant and renewable energy projects on our system. This allows us to ensure that our members will be able to afford electricity into the future.

As you review our financial statements in the coming pages, we anticipate you will be pleased with the margins that were generated in 2014. We have been able to achieve these stable financial results due



to the management of our power supply portfolio. This has made a positive difference in the power costs our members enjoy.

Supporting our communities to make them a better place to live is one of our primary goals. We demonstrate this commitment through active participation in the livestock sales which benefit our use in all three of our service territories. LCEC continues to sponsor the Government-In-Action Youth Tour by sponsoring four students on this week-long, educational trip to Washington, D.C. We participate in Farm Safety Days, county fairs, safety demonstrations and we offer scholarships to 80 members and their dependents seeking a higher education. We host seminars and workshops relating to state regulations, inspection requirements and safety along with our annual Member Appreciation Day in all districts. LCEC is honored to be an active corporate citizen.

Our dedicated employees make a substantial difference everyday through their genuine commitment to the LCEC membership. They are the backbone of this strong Cooperative. LCEC is proud of all employees, from operations personnel who keep our system working 365 days a year, 24 hours a day to our service and administrative personnel taking care of business on behalf of our members. Our employees make the difference in making LCEC a premier electric cooperative. We encourage you to read the coming pages to get a detailed understanding of the 2014 accomplishments that the Trustees, Management and employees are proud to have accomplished for the membership. All of these factors make the difference in positioning LCEC to serve our membership successfully in the future.

**“Our dedicated employees make a substantial difference everyday through their genuine commitment to the LCEC membership.”**



John Ingle  
President  
Lea County Electric  
Board of Trustees

Gary L. Hurse  
Executive Vice President  
and General Manager  
Lea County Electric



# LEA COUNTY ELECTRIC BOARD OF DIRECTORS



**John Ingle**  
 President  
 Spouse: Karen  
 Board member since 1986  
 Representing District 3  
 Occupation: Retired Superintendent of Tatum Schools/Ranching

3



**John Graham**  
 Vice President  
 Spouse: Jeanine  
 Board member since 2012  
 Representing District 1  
 Occupation: Businessman/  
 Newspaper Publisher

1



**Dan Hardin**  
 Secretary-Treasurer  
 Spouse: Sandy  
 Board member since 2004  
 Representing District 4  
 Occupation: Finance

4



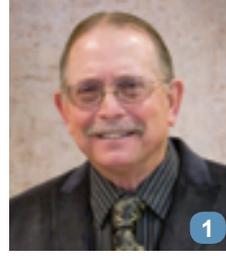
**Robert Caudle**  
 Spouse: Joyce  
 Board member since 1984  
 Representing District 1  
 Occupation: Landman

1



**Dean Kinsolving**  
 Board member since 1983  
 Representing District 6  
 Occupation: Ranching

6



**Kenneth Wallace**  
 Spouse: Elaine  
 Board member since 2013  
 Representing District 1  
 Occupation: Businessman/  
 Oil & Gas Services

1



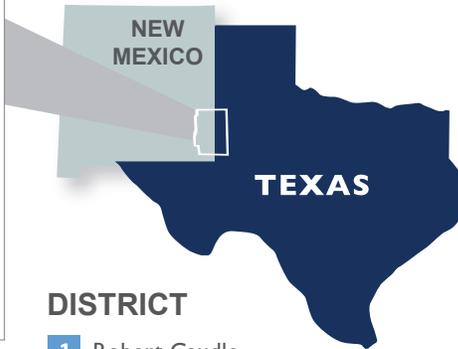
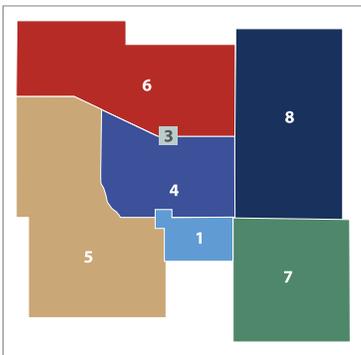
**Ramon Hilburn**  
 Spouse: Marcia  
 Board member since 2011  
 Representing District 5  
 Occupation: Ranching

5



**Terry Davis**  
 Spouse: Wadonna  
 Board member since 1984  
 Representing District 8  
 Occupation: Farming

8



**Charles W. Garner II**  
 Spouse: Christy  
 Board member since 2014  
 Representing District 7  
 Occupation: Farming &  
 Ranching

7

## DISTRICT

- 1 Robert Caudle
- 1 Kenny Wallace
- 1 John Graham
- 3 John Ingle
- 4 Dan Hardin
- 5 Ramon Hilburn
- 6 Dean Kinsolving
- 7 Charles W. Garner II
- 8 Terry Davis



When we look back on the history of Lea County Electric Cooperative (LCEC), we honor the many people who have contributed their skills and influence throughout the years. In 2014, we had five (5) long-time employees and one (1) Trustee who retired.

They leave a legacy of excellence. When combined, their service totals 193 years. They witnessed times of great change during their years of service and contributed

their talents to help make LCEC the cooperative it is today. They can take pride knowing they made a positive difference during their tenure at the Cooperative.

We sincerely hope that the sentiment 'The best is yet to come' holds true for each of the retirees. Congratulations on a wonderful career and best wishes for the next phase of your life. It has been our pleasure to know you and to work with you.



**Darrel D. Eubanks**  
Maintenance Supervisor/Safety  
Coordinator  
*48 Years of Service*



**Ricky J. Hoover**  
Director of Line Operations  
*40 Years of Service*



**Orlando L. Espinosa**  
Equipment Operator  
*39 Years of Service*



**Dean Kinsolving**  
Trustee  
*31 Years of Service*



**Colleen Powell**  
Accounting Assistant  
*18 Years of Service*



**Kelvin K. Woody**  
Utilities/Plant Repairman  
*17 Years of Service*

**“We honor the many people  
who have contributed their  
skills and influence  
throughout the years.”**





Lea County Electric Cooperative, Inc. (LCEC) has been serving members in our service territory for 66 years. As we reflect on the achievements in 2014, we can confidently report the Cooperative had an outstanding year.

Each year, LCEC Management and staff review our established USDA Rural Utilities Service (RUS) funded work plan and set goals for the year to ensure the reliability and performance of the system. We are pleased to report that we achieved many of the goals set forth in 2014. As you will read, LCEC personnel have made a positive difference through their efforts.

Electric utilities are required by North American Electric Reliability Council (NERC) to employ dependable communications with all substations. In 2014, as part of our established RUS funded work plan, LCEC completed a Master Communication Plan upgrade. The project involved replacing an older analog microwave system with an advanced digitized microwave network. This project included the addition of 10 radio towers and 54-paired microwave radios providing communication to all our substations and offices. This new system includes relay protection on our substations and transmission grid along with phone service to all LCEC remote sites. The benefits of the project allow LCEC to respond quickly to outages as well as monitor our substations and conduct self-diagnostic checks across our system.

In 2014, LCEC worked on numerous upgrades, new construction, and projects on our system to maintain and upgrade the integrity of the system. LCEC placed our mobile substation into service while a substation transformer was repaired from damages sustained in an ice storm in late 2013. For the majority of 2014, the mobile substation supported the load that would have normally been carried by the damaged transformer. Crews also built one (1) mile of 69 kV tie line between two (2) substations in Gaines County. Additionally, LCEC completed a tie-in to new line on our system and energized a new substation in Gaines County, Texas to support oil industry in the area. A circuit breaker addition was completed in an existing substation in Yoakum County, Texas to split load and increase reliability. In the fourth quarter, LCEC modified an existing substation in the western part of our service territory to provide transmission and distribution service to a new wind energy project.

The pole replacement program, which is part of our work plan, continues to prove to be a sound investment by improving the reliability of the system. Every pole in the LCEC system is tested over the seven (7) year rotation and any pole identified as substandard is replaced. This ensures that the integrity of the poles hold up well when exposed to extreme elements which includes ice, wind and fires.

New distribution lines that were built totaled 8.8 miles. Other projects that LCEC crews worked on



Adam Marquez, LCEC Journeyman Lineman

included the Nor-Lea Hospital addition, the new Taco Bell restaurant, and a Family Dollar store in north Lovington. LCEC added an additional 7,900 horsepower of combined oilfield, irrigation and commercial load.

LCEC will continue to manage the power plant and reap the benefits of the plant until 2026. This gives LCEC a substantial advantage since the plant's profit level in the Southwest Power Pool (SPP) integrated market is projected to greatly lower our power costs and benefit our margins. In 2014, while external factors fluctuated, the power plant has remained a stable benefit to our margins.

LCEC continued to be actively involved in regulatory requirements regarding renewable energy. In 2015, LCEC is required to have a Renewable Portfolio Standard (RPS) with 5% of energy sales from renewable energy. LCEC has already met our mandated Renewable Energy Credits (REC) obligations prior to the 2015 deadline. This was accomplished by building the LCEC Generation plant and coupling it with wind power provided through the Purchase Power Agreement with Exelon. This business plan has allowed us to benefit the Cooperative further by selling the remaining RECs to other utilities in New Mexico ultimately lowering our member's power costs.

In December 31, 2014, the second wind project, named BayWa, came on our system on the Caprock. While energy from Wildcat Wind east of Lovington is going into the SPP integrated market, the energy purchased from the BayWa project is decreasing energy we would have to otherwise purchase from Xcel. The wind from BayWa allows LCEC to purchase both the energy produced and the RECs associated with the renewable energy. All this translates into saving money on purchased power for our members.

We anticipate adding additional wind projects in our service territory in the near future. We continually evaluate renewable proposals and projects to incorporate into our energy portfolio. The Trustees prefer to take a proactive approach to keep energy costs down as we approach the 2026 milestone. In addition, the wind projects contribute to the RPS funding in meeting regulations on utilities.

LCEC is proud of the exceptional customer service we offer to members. In 2014, we took additional steps to streamline our business processes making it easier for members to conduct business with LCEC. The LCEC Trustees made the decision to offer members the choice



to pay their monthly bills with a credit or debit card. After the necessary components were in place, testing in the payment environment began late in 2014. The program is now operational and credit or debit card payments are limited to \$1000 per month per account. LCEC will continue to offer our automatic draft payment plan and levelized budget payment plan. Members still have the choice to make payments by cash or check.

We believe that social media offers an opportunity to effectively communicate with our members in addition to traditional print or web networks. LCEC is testing the social media outlets to determine which is optimal for our members. To explore the social media arena, LCEC launched a Twitter account in 2014. To follow LCEC on Twitter, search for @LeaCountyCoop. This site allows LCEC to communicate real time news and information. Please do not utilize Twitter to report any outages or problems. Continue to report outages by calling 1-800-510-5232 or 575-396-3631.

Serving in our communities is a priority to LCEC. We are active members on the Lovington Economic Development Committee, Lovington Chamber of Commerce and in all of the civic organizations. We sponsor many community events including those hosted by the Chambers of Commerce in all service territories, the Lea County Museum, Lovington MainStreet, Friends of the Library, Yoakum County Watermelon Festival, and the Lea County Fair & Rodeo.

LCEC recognizes that investment in our youth as future leaders is a priority. Education is paramount to the development of our young people into successful adults with the hope that our students will one day return to become leaders in our communities. LCEC stresses education in several ways.

First, LCEC sponsors four (4) high school students from our service territory as delegates at the annual Government-In-Action Youth Tour. These delegates join other students, representing electric cooperatives from all over the country, in Washington, D.C. where they learn about electric cooperatives, American history and U.S. government. They each meet with their elected representatives where they engage in relevant conversation related to the current issues faced by our leaders. This week-long trip educates our students about the importance of being an involved citizen, having a

voice in our government, and being aware of issues being addressed in Washington.

Secondly, the Lea County Electric Education Foundation Scholarship (Foundation) continues providing opportunities for LCEC members and their dependents who seek a higher education. Since the program was introduced in 1987, over \$1.3 million has been invested and has assisted 1,632 students in attaining their undergraduate degree. The Foundation currently funds 80 annual scholarships with each scholarship being

“LCEC recognizes that investment in our youth as future leaders is a priority.”

worth \$1000 per semester. These scholarships, which are funded through unclaimed capital credits, are renewable for up to eight (8) semesters. In 2014, the LCEC Trustees voted to extend the reach of approved colleges where students may attend to include all accredited universities or colleges in the United States.

Finally, LCEC educates students on safety through the electric arcing demonstrations, safety board demonstrations and the annual Safety Poster Coloring Contest. In 2014, through funds remaining from a prior grant coordinated with New Mexico State University (NMSU), construction on a small solar project on the Lovington High School campus was started. Once complete, the 60 panel project will enable students to learn first-hand how a solar renewable project is tied into a building, how to care and maintain the panels and how to monitor the usage and compute the savings into dollars.

LCEC hosts member events each year for the benefit of our members. In 2014, LCEC hosted several meetings including the annual Member Appreciation days in all three (3) districts, a New Mexico State Electrical Inspector’s luncheon, and a New Mexico Public Regulation Commission (NMPRC) Excavation Law workshop. These events allow LCEC leaders, regulatory agencies, members, and professionals the opportunity to learn about the Cooperative as well as laws and processes that impact us all. At all of these events, we are proud to provide a meal. The meat served is from the beef LCEC has purchased from our youth in our service territory at the various livestock sales.

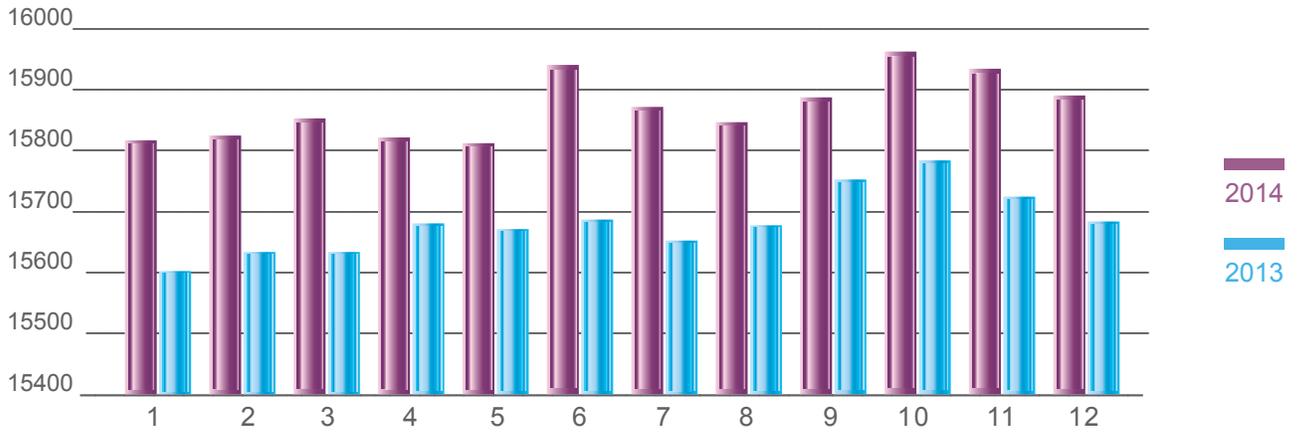
All of these elements combined have enhanced the lives of our members. We pledge continued commitment to make a positive difference in our communities.

LCEC Staking Technicians Ray Rivera and John Cartwright

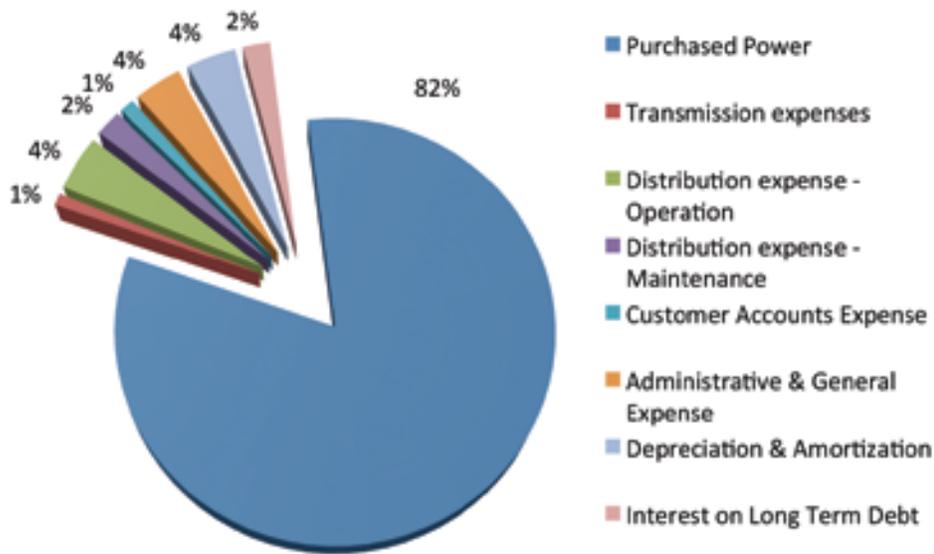




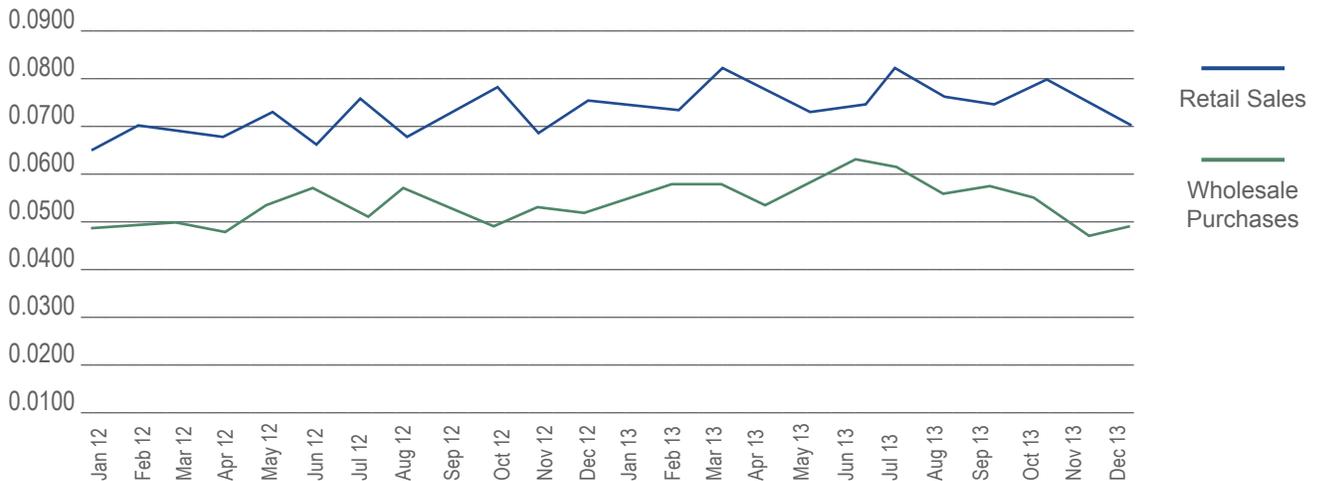
## LCEC METERS



## OPERATING EXPENSES

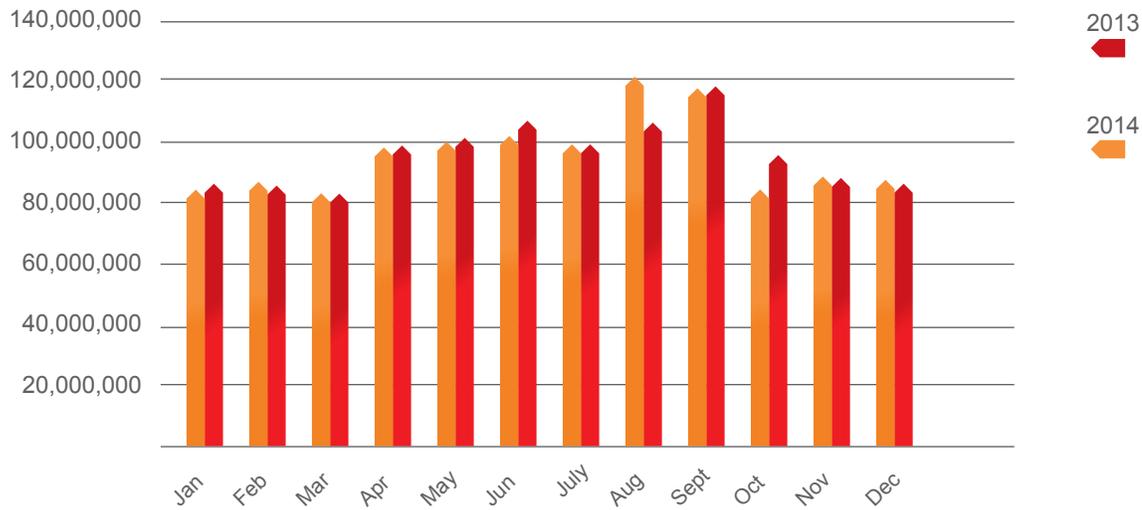


## KWH SALES & PURCHASES

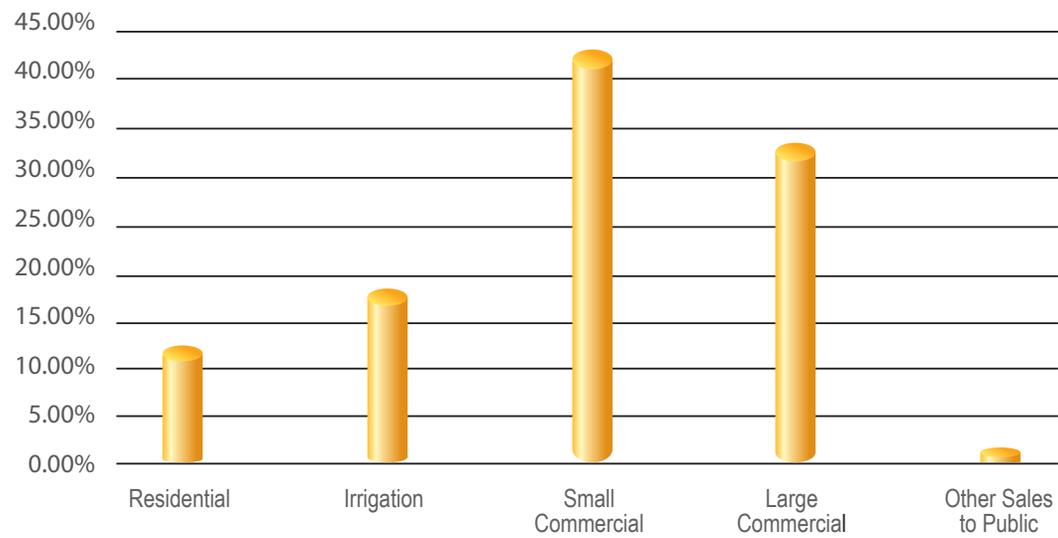




### TOTAL KWH SALES



### 2014 CONSUMER SALES





# STATEMENT OF INCOME

## LEA COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

### CONSOLIDATING AND CONSOLIDATED STATEMENTS OF INCOME AND PATRONAGE CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Years Ended December 31,				Increase (Decrease)
	2014		2013		
	Amount	%	Amount	%	
<b>OPERATING REVENUES</b>					
Residential	\$ 10,187,179	11.4	\$ 9,149,176	10.8	\$ 1,038,003
Irrigation	16,054,800	17.9	16,627,103	19.8	(572,303)
Commercial and Industrial	66,958,586	74.8	57,423,586	68.4	9,535,000
Public Buildings and Other Authorities	1,350,099	1.5	1,213,824	1.4	136,275
Accrued Unbilled Revenue	430,350	0.5	325,001	0.4	105,349
Power Cost (Over) Under Collected	(6,170,177)	(6.9)	(1,208,195)	(1.4)	(4,961,982)
Other Operating Revenues	700,587	0.8	467,643	0.6	232,944
Total Operating Revenues	<u>\$ 89,511,424</u>	<u>100.0</u>	<u>\$ 83,998,138</u>	<u>100.0</u>	<u>\$ 5,513,286</u>
<b>OPERATING EXPENSES</b>					
Purchased Power	\$ 66,997,511	74.8	\$ 58,792,007	70.0	\$ 8,205,504
Generation	1,368,421	1.5	1,684,067		(315,646)
Transmission	764,055	0.9	876,970	1.0	(112,915)
Distribution - Operation	3,610,591	4.0	3,471,273	4.1	139,318
Distribution - Maintenance	1,715,152	1.9	1,634,715	1.9	80,437
Customer Accounts	896,873	1.0	921,440	1.1	(24,567)
Customer Service and Information	40,408	0.0	59,484	0.1	(19,076)
Sales	34,581	0.0	38,837	0.0	(4,256)
Administrative and General	3,418,324	3.8	4,637,111	5.5	(1,218,787)
Depreciation and Amortization	3,728,503	4.2	4,667,927	5.6	(939,424)
Cost of Removal	1,373,504	1.5	1,303,923	1.6	69,581
Interest Credit - Cost of Removal					
Restricted Funds Earnings	(1,010,443)	(1.1)	(1,023,506)	(1.2)	13,063
Taxes	52,925	0.1	50,049	0.1	2,876
Other Interest and Deductions	46,077	0.1	25,222	0.0	20,855
Total Operating Expenses	<u>\$ 83,036,482</u>	<u>92.7</u>	<u>\$ 77,139,519</u>	<u>89.8</u>	<u>\$ 5,896,963</u>
<b>OPERATING MARGINS - Before Fixed Charges</b>	<u>\$ 6,474,942</u>	<u>7.3</u>	<u>\$ 6,858,619</u>	<u>10.2</u>	<u>\$ (383,677)</u>
<b>FIXED CHARGES</b>					
Interest on Long-Term Debt	<u>2,010,213</u>	<u>2.2</u>	<u>2,362,934</u>	<u>2.8</u>	<u>(352,721)</u>
<b>OPERATING MARGINS - After Fixed Charges</b>	<u>\$ 4,464,729</u>	<u>5.1</u>	<u>\$ 4,495,685</u>	<u>7.4</u>	<u>\$ (30,956)</u>
Capital Credits	<u>873,446</u>	<u>1.0</u>	<u>221,148</u>	<u>0.3</u>	<u>652,298</u>
<b>NET OPERATING MARGINS</b>	<u>\$ 5,338,175</u>	<u>6.1</u>	<u>\$ 4,716,833</u>	<u>7.7</u>	<u>\$ 621,342</u>
<b>NONOPERATING ITEMS</b>					
Interest Income	\$ 642,780	0.7	\$ 516,295	0.6	\$ 126,485
Gain on Sale of Property	252,249	0.3		0.0	252,249
Collection of Western Farmers Equity Requirement	<u>1,929,300</u>	<u>2.2</u>	<u>2,205,958</u>	<u>2.6</u>	<u>(276,658)</u>
	<u>\$ 2,824,329</u>	<u>3.2</u>	<u>\$ 2,722,253</u>	<u>3.2</u>	<u>\$ 102,076</u>
<b>NET MARGINS</b>	<u>\$ 8,162,504</u>	<u>9.3</u>	<u>\$ 7,439,086</u>	<u>10.9</u>	<u>\$ 723,418</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Current Year APBO Valuation Adjustment	44,600		1,033,300		
Post-retirement Benefit Amortization	<u>(175,100)</u>		<u>(32,095)</u>		
<b>COMPREHENSIVE INCOME</b>	<u>\$ 8,032,004</u>		<u>\$ 8,440,291</u>		
Post-retirement Benefit Adjustment	130,500		(1,001,205)		
<b>PATRONAGE CAPITAL - BEGINNING OF YEAR</b>	<u>78,047,908</u>		<u>72,617,965</u>		
<b>PATRONAGE CAPITAL RETIRED</b>	<u>(3,011,296)</u>		<u>(2,009,143)</u>		
<b>PATRONAGE CAPITAL - END OF YEAR</b>	<u>\$ 83,199,116</u>		<u>\$ 78,047,908</u>		



## LEA COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

### CONSOLIDATING AND CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2014 AND 2013

#### ASSETS

	December 31,	
	2014	2013
UTILITY PLANT AT COST		
Utility Plant in Service	\$ 168,863,488	\$ 217,960,254
Construction Work in Progress	6,142,195	2,533,386
Contributions in Aid of Construction	(29,341,158)	(28,363,145)
	<u>\$ 145,664,525</u>	<u>\$ 192,130,495</u>
Less: Accumulated Provision for Depreciation	63,193,150	63,963,311
	<u>\$ 82,471,375</u>	<u>\$ 128,167,184</u>
OTHER PROPERTY AND INVESTMENTS		
Non-Utility Property (At cost)	\$ 46,482	\$ 46,482
Investments in Associated Organizations	24,978,191	7,200,611
Other Investments	6,457,652	5,342,883
Special Funds - Restricted	34,972,624	35,358,026
Postretirement Benefits	2,412,900	2,267,000
	<u>\$ 68,867,849</u>	<u>\$ 50,215,002</u>
CURRENT ASSETS		
Cash	\$ 1,173,819	\$ 1,596,984
Temporary Investments- Cash Equivalents	6,709,301	4,222,002
Temporary Investments- Other	3,821,000	3,488,000
Cash- Restricted Reserve Funds		3,308,041
Accounts and Notes Receivable (Less allowance for uncollectibles of \$331,615 in 2014 and \$275,824 in 2013)	6,585,858	7,508,171
Power Cost - Under Collected		2,655,512
Accrued Unbilled Revenue	6,650,273	6,219,923
Materials and Supplies	2,480,926	3,320,142
Other Current and Accrued Assets	959,882	558,416
	<u>\$ 28,381,059</u>	<u>\$ 32,877,191</u>
DEFERRED DEBITS	\$ 4,061,828	\$ 4,154,270
TOTAL ASSETS	<u>\$ 183,782,111</u>	<u>\$ 215,413,647</u>

#### EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 35,162	\$ 34,505
Patronage Capital	83,199,116	78,047,908
Accumulated Other Comprehensive Income	1,110,000	1,240,500
Other Equities	2,096,696	2,096,696
	<u>\$ 86,440,974</u>	<u>\$ 81,419,609</u>
LONG-TERM DEBT		
RUS Mortgage Notes Less Current Maturities	\$ 1,627,599	\$ 1,753,123
FFB Notes Less Current Maturities	42,906,935	78,420,908
CFC Mortgage Notes Less Current Maturities	2,637,271	2,946,772
CoBank Mortgage Notes Less Current Maturities	3,790,633	4,339,964
RUS Advance Payments	(9,265,258)	(8,830,522)
	<u>\$ 41,697,180</u>	<u>\$ 78,630,245</u>
COST OF REMOVAL LIABILITY	\$ 35,834,071	\$ 35,263,967
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 2,167,000	\$ 3,089,000
Lines of Credit		1,534,243
Accounts Payable - Purchased Power	5,164,984	3,840,930
Accounts Payable - Other	964,079	1,657,724
Power Cost - Overcollected	1,585,364	
Consumer Deposits	2,665,765	2,676,873
Other Current and Accrued Liabilities	1,298,787	1,595,602
	<u>\$ 13,845,979</u>	<u>\$ 14,394,372</u>
DEFERRED CREDITS	\$ 5,963,907	\$ 5,705,454
TOTAL EQUITIES AND LIABILITIES	<u>\$ 183,782,111</u>	<u>\$ 215,413,647</u>



# STATEMENT OF CASH FLOWS

## LEA COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

### CONSOLIDATING AND CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	December 31,	
	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins	\$ 8,162,504	\$ 7,439,086
Adjustments To Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	4,072,568	4,979,347
Cost of Removal Accruals - Gross	1,373,504	1,303,923
Post-Retirement Benefit (Expense)	(170,300)	15,105
Capital Credits	(2,781,347)	(2,395,467)
Deferred Debits	92,442	(2,328,108)
Deferred Credits	258,453	332,971
Accounts and Notes Receivable	3,052,338	(4,165,197)
Inventories and Prepaid Expenses	(228,458)	481,453
Payables and Other Accrued Liabilities	2,391,175	546,299
Transfer to Outside Party	(1,689,310)	
Net Cash Provided by Operating Activities	<u>\$ 14,533,569</u>	<u>\$ 6,209,412</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Utility Plant	\$ (8,247,146)	\$ (6,244,688)
Cost of Removal Incurred	(880,460)	(1,138,784)
Contributions and Other Additions to Cost of Removal	77,060	75,579
Salvage and Other Credits	165,791	133,154
Additions to Restricted Cash Reserve Accounts	939	(3,091)
Other Property and Investments	536,687	2,626,047
Net Cash Used in Investing Activities	<u>\$ (8,347,129)</u>	<u>\$ (4,551,783)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt to RUS - Scheduled	\$ (123,524)	\$ (131,164)
Payments on Long-Term Debt to RUS - Advance Payments	(434,736)	(5,273,353)
Payments on Long-Term Debt to FFB	(1,307,833)	(2,043,090)
Payments on Long-Term Debt to CFC	(293,501)	(278,370)
Payments on Long-Term Debt to CoBank	(527,331)	(501,666)
Advance on Long-Term Debt from FFB	1,119,763	10,938,338
Net Activity on Line of Credit - CoBank	561,595	(1,882,788)
Payments on Behalf of Retirees	(106,100)	(110,200)
Retirement of Patronage Capital	(3,011,296)	(2,009,143)
Memberships	657	585
Net Cash Used in Financing Activities	<u>\$ (4,122,306)</u>	<u>\$ (1,290,851)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>\$ 2,064,134</u>	<u>\$ 366,778</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>5,818,986</u>	<u>5,452,208</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 7,883,120</u>	<u>\$ 5,818,986</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest on Long-Term Debt	<u>\$ 2,016,898</u>	<u>\$ 2,307,890</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

During the year ended December 31, 2014 and 2013, the adjustment for the application of the *Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans* changed the accrued post-retirement benefit by (\$130,500) and \$1,001,205 and changed equities by the same amount in 2014 and 2013, respectively.

# THE SEVEN COOPERATIVE PRINCIPLES

## 1. Voluntary and Open Membership

Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination.

## 2. Democratic Member Control

Cooperatives are democratic organizations controlled by their members who actively participate in setting policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

## 3. Members' Economic Participation

Members contribute equitably to and democratically control the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

## 4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

## 5. Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public-particularly young people and opinion leaders-about the nature and benefits of cooperation.

## 6. Cooperation Among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

## 7. Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.



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