

enchantment

The Voice of New Mexico's
Rural Electric Cooperatives

LEA COUNTY ELECTRIC COOPERATIVE



"OWNED BY THOSE WE SERVE"

Bring This Magazine to the Annual Meeting



**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"

Member Name
Address
City, State Zip



BE SURE TO BRING THIS CARD WITH YOU TO REGISTER!

For faster registration,
bring your personalized
registration card located
on the back cover!



NOTICE OF ANNUAL MEETING

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

Notice is hereby given that the 2022 Annual Meeting of Members of Lea County Electric Cooperative, Inc. will be held Friday, April 29, 2022, 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 5:30 p.m., MDT. The meeting will be conducted in a drive-through process that will minimize contact and adhere to the COVID Safe Business Practices as well as comply with the current Public Health Order. 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 29, 2022, 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 5:30 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 2021 Annual Meeting; presentation and consideration of reports from officers, trustees, and committees; and 4) an election by the membership of two Trustees from Districts One for the year 2022 Annual Meeting.

Pursuant to Article IV, Section 4 of the Bylaws, a Committee on Nominations, was appointed and met on March 10, 2022, at 5:30 p.m. for the purpose of placing in nomination candidates for the election of two Trustees: from District One for the 2022 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 24th day of March 2022.

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

Dan Hardin, Secretary-Treasurer

BOARD OF DIRECTORS



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



TRAVIS GLENN
 Spouse: Tonya
 Board Member since 2016
 Representing District 3
 Occupation: Businessman



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



RANDALL McCORMICK
 Spouse: Sandra
 Board Member since 2016
 Representing District 5
 Occupation: Businessman



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



CJ KINSOLVING
 Spouse: Kaitlin
 Board Member since 2015
 Representing District 6
 Occupation: Ranching



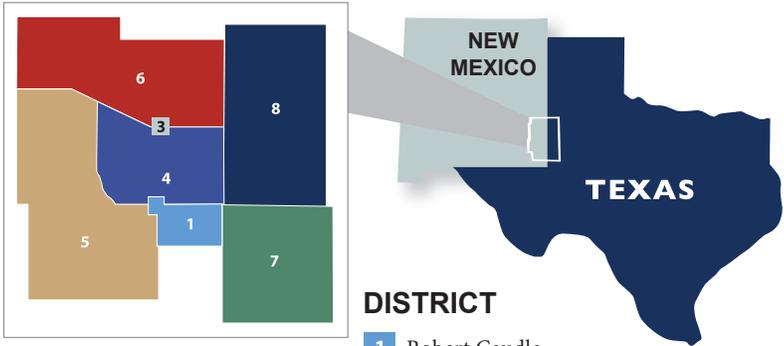
KENNETH WALLACE
 Spouse: Elaine
 Board Member since 2013
 Representing District 1
 Occupation: Businessman/Oil
 & Gas Services



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



JASON SWANN
 Spouse: Erin
 Board Member since 2018
 Representing District 8
 Occupation: Banking





MESSAGE FROM MANAGEMENT



As 2020 ended and 2021 began, we hoped that COVID-19 was behind us. However, as you know, we are still dealing with the pandemic and its effects today. The year 2021 also came with a significant challenge. As you may recall, the extreme weather in February 2021 associated with the Polar Vortex (Storm Uri) affected our territory. The Polar Vortex caused high electricity usage putting a strain on power and fuel supplies. During that period, we initiated minimal controlled outages at the direction of Southwest Power Pool (SPP), the regional transmission organization, to prevent prolonged outages in the 14-state SPP region. Despite these challenges, we continued to do our best to deliver safe, affordable, and reliable power to our members.

Lea County Electric Cooperative, Inc. (LCEC) contracted with C.H. Guernsey to perform a cost-of-service study. Cost-of-service research is a tool we use to ensure that our rates are tied to our costs of providing electricity to our members. A Cost-of-service study has not been performed since 2009, and as costs of conducting business change, it was necessary to have this study done to assure that we are managing the Cooperative efficiently. C.H. Guernsey has also been working on our transmission rates in the SPP.

Lea County Electric joined Cooperative Response Center (CRC) in an effort to provide better customer service to our members during high call volume events, as well as nights and weekends. CRC has been member-owned for 30 years and is exclusive to the electric utility industry. CRC has three redundant call centers with another on the way. Protecting our customer data and providing reliable power to our consumers remain a top priority for LCEC. Efforts to create an active response playbook for addressing ransomware will be continued into 2022 as we remain committed to a comprehensive cybersecurity program. We continue to be committed to training employees on potential cyber threats and avoiding situations that might put our organization's data at risk. The IT department implemented a new Cyber Security Awareness Program for all co-op employees.

In 2021 many behind the scenes changes have occurred, such as; the installation of a new water system at the old operations and warehouse facilities, the commencing of facilities demolition at the old steam and diesel plant locations, the completion of LED light project for the headquarters building, and the launching of a record and retention program with digital record management.

Construction and maintenance crews upgraded the Bronco, Vacuum, and Price Substations to accommodate the growth in their respective areas. Substations, switches, and interchanges throughout the system are in the process of being upgraded. In order to ensure the stability of the utility's transmission and distribution poles, which is critical during high wind-producing storms, an annual pole inspection has been conducted since 2007. Each year between 5,000 and 10,000 poles are inspected. The results for 2021's inspection showed only .09% of the 6,697 poles inspected being rejected. This is a testament to our ongoing inspection and maintenance programs.

As community partners, we pride ourselves on assisting as many entities as the budget allows. In 2021, through the partnership with Co-Bank, LCEC was able to grant Friends of the Lovington Public Library \$3,000 and Teen Court of Lea County, LLC \$5,000 to further their community efforts. Since 1984 the LCEC Education Foundation has awarded over \$1.02 million to 2,252 recipients in scholarships to further their higher education. In addition, over \$82,000 was donated to various community programs. In 2021, the Cooperative retired approximately \$3.5 million worth of capital credits to its members who bought electricity in 1998. Capital credits come from margins, or the money left over after all expenses are paid each year. If margins are available, that money is credited to your account according to the amount of electricity you purchased.

The Plains new office location was finalized and opened for the membership on June 14, 2021. The building was built with a larger yard, a warehouse with the ability to contain inventory to accommodate growth in the area, a convenient drive-through window, and for the addition of future employees.

Our accomplishments over the past year have been remarkable, and we are proud to lead a team that puts the member first. We look forward to seeing you all on Friday, April 29, for the Annual Meeting of the Members. Last year's Annual Meeting was a huge success with a record number of registrants of 1,057. We will have a drive-through event, once more, at the Lovington, NM office. In addition, Tatum, NM, and Plains, TX, will have an in-lobby event. Thank you for putting your trust in LCEC!

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, 2021 AND 2020

	Years Ended December 31,				Increase (Decrease)
	2021		2020		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 10,912,988	11.6	\$ 10,239,974	11.4	\$ 673,014
Irrigation	13,675,726	14.6	13,742,740	15.5	(67,014)
Commercial and Industrial	62,167,126	66.6	60,429,972	68.0	1,737,154
Public Buildings and Other Authorities	1,194,904	1.3	1,045,467	1.2	149,437
Accrued Unbilled Revenue	(41,848)	0.0	(835,562)	(0.9)	793,714
Power Cost (Over) Under Collected	4,827,618	5.2	3,635,563	4.1	1,192,055
Other Operating Revenues	666,869	0.7	602,750	0.7	64,119
Total Operating Revenues	\$ 93,403,383	100.0	\$ 88,860,904	100.0	\$ 4,542,479
OPERATING EXPENSES					
Purchased Power	\$ 72,802,206	77.9	\$ 66,340,347	74.7	\$ 6,461,859
Transmission	840,518	0.9	957,563	1.1	(117,045)
Distribution - Operation	5,482,130	5.9	4,785,802	5.4	696,328
Distribution - Maintenance	843,268	0.9	1,369,158	1.5	(525,890)
Customer Accounts	1,053,382	1.1	924,123	1.0	129,259
Customer Service and Information	38,227	0.0	42,524	0.0	(4,297)
Sales	5,046	0.0	17,305	0.0	(12,259)
Administrative and General	3,827,851	4.1	4,172,740	4.7	(344,889)
Depreciation and Amortization	4,752,580	5.1	4,625,463	5.2	127,117
Cost of Removal	2,483,160	2.7	2,378,226	2.7	104,934
Interest Credit - Cost of Removal					
Restricted Funds Earnings	(841,752)	(0.9)	(917,610)	(1.0)	75,858
Taxes	70,391	0.1	67,725	0.1	2,666
Other Interest and Deductions	9,868	0.0	116,541	0.1	(106,673)
Total Operating Expenses	\$ 91,366,875	97.8	\$ 84,879,907	95.5	\$ 6,486,968
OPERATING MARGINS - Before Fixed Charges	\$ 2,036,508	2.2	\$ 3,980,997	4.5	\$ (1,944,489)
FIXED CHARGES					
Interest on Long-Term Debt	1,796,154	1.9	1,881,580	2.1	(85,426)
OPERATING MARGINS - After Fixed Charges	\$ 240,354	0.3	\$ 2,099,417	2.4	\$ (1,859,063)
Capital Credits	1,900,016	2.0	2,046,684	2.3	(146,668)
NET OPERATING MARGINS	\$ 2,140,370	2.3	\$ 4,146,101	4.7	\$ (2,005,731)
NONOPERATING ITEMS					
Interest Income	\$ 285,513	0.3	\$ 1,046,653	1.2	\$ (761,140)
Gain (Loss) on Sale of Property	8,121	0.0	16,805	0.0	(8,684)
	\$ 293,634	0.3	\$ 1,063,458	1.2	\$ (769,824)
NET MARGINS	\$ 2,434,004	2.6	\$ 5,209,559	5.9	\$ (2,775,555)
OTHER COMPREHENSIVE INCOME (LOSS)					
Current Year APBO Valuation Adjustment			(3,669)		
Post-Retirement Benefit Amortization	(64,268)		(64,268)		
COMPREHENSIVE INCOME	\$ 2,369,736		\$ 5,141,622		
Post-Retirement Benefit Adjustment	64,268		67,937		
PATRONAGE CAPITAL - BEGINNING OF YEAR	97,588,282		96,232,598		
Patronage Capital Retired	(3,592,944)		(3,853,875)		
PATRONAGE CAPITAL - END OF YEAR	\$ 96,429,342		\$ 97,588,282		

BALANCE SHEET

LEA COUNTY ELECTRIC COOPERATIVE, INC.

BALANCE SHEETS DECEMBER 31, 2021 AND 2020

ASSETS

	December 31,	
	2021	2020
UTILITY PLANT AT COST		
Utility Plant in Service	\$ 237,987,546	\$ 225,986,394
Construction Work in Progress	4,989,064	4,649,655
Contributions in Aid of Construction	(56,727,129)	(50,799,738)
	\$ 186,249,481	\$ 179,836,311
Less: Accumulated Provision for Depreciation	77,896,875	74,490,351
	\$ 108,352,606	\$ 105,345,960
OTHER PROPERTY AND INVESTMENTS		
Non-Utility Property (At Cost)	\$ 46,482	\$ 46,482
Investments in Associated Organizations	34,957,218	33,199,056
Other Investments	9,313,214	5,278,077
Special Funds - Restricted	38,820,311	37,950,661
Employee Benefit Funds - Restricted	2,644,494	2,409,046
Post-Retirement Benefits	2,878,277	2,577,298
	\$ 88,659,996	\$ 81,460,620
CURRENT ASSETS		
Cash	\$ 731,420	\$ 743,442
Temporary Investments - Cash Equivalents	6,196,059	11,400,444
Accounts and Notes Receivable (Less allowance for uncollectibles of \$297,863 in 2021 and \$334,512 in 2020)	11,518,553	12,615,012
Accrued Unbilled Revenue	6,766,583	6,808,431
Power Cost - Under Collected	5,169,080	341,462
Materials and Supplies	3,361,684	2,823,957
Other Current and Accrued Assets	846,546	346,536
	\$ 34,589,925	\$ 35,079,284
DEFERRED DEBITS	\$ 933,591	\$ 865,818
TOTAL ASSETS	\$ 232,536,118	\$ 222,751,682

EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 36,320	\$ 36,700
Patronage Capital	96,429,342	97,588,282
Accumulated Other Comprehensive Income	629,328	693,596
Other Equities	2,096,696	2,096,696
	\$ 99,191,686	\$ 100,415,274
LONG-TERM DEBT		
FFB Notes Less Current Maturities	\$ 66,051,052	\$ 57,306,516
CFC Mortgage Notes Less Current Maturities	891,056	1,075,477
CoBank Mortgage Notes Less Current Maturities	1,013,684	1,289,273
RUS Advance Payments	(118,078)	(1,036,245)
	\$ 67,837,714	\$ 58,635,021
COST OF REMOVAL LIABILITY	\$ 45,756,931	\$ 44,330,720
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 2,486,000	\$ 2,330,000
Accounts Payable - Purchased Power	6,745,802	5,543,922
Accounts Payable - Other	565,866	323,116
Power Cost - Over Collected and Refundable		1,595,362
Consumer Deposits	2,691,924	2,980,794
Other Current and Accrued Liabilities	1,827,219	1,667,018
	\$ 14,316,811	\$ 14,440,212
DEFERRED CREDITS	\$ 5,432,976	\$ 4,930,455
TOTAL EQUITIES AND LIABILITIES	\$ 232,536,118	\$ 222,751,682

STATEMENT OF CASH FLOWS

LEA COUNTY ELECTRIC COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 2,434,004	\$ 5,209,559
Adjustments To Reconcile Net Income to Net Cash		
Provided by (Used in) Operating Activities		
Depreciation	5,083,085	5,037,996
Cost of Removal Accruals - Gross	2,483,160	2,378,226
Post-Retirement Benefits	(510,723)	(814,792)
Capital Credits	(1,900,016)	(2,046,684)
Power Cost Recovery	(6,422,980)	(3,635,562)
Deferred Debits	(67,773)	133,350
Deferred Credits	502,521	(390,003)
Accounts and Notes Receivable	1,138,307	398,474
Inventories and Prepaid Expenses	(1,037,737)	(57,200)
Payables and Other Accrued Liabilities	1,315,961	(1,571,908)
Net Cash From Operating Activities	\$ 3,017,809	\$ 4,641,456
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (8,203,856)	\$ (9,162,993)
Cost of Removal Incurred	(1,056,949)	(713,062)
Contributions and Other Additions to Cost of Removal	27,898	88,592
Salvage and Other Credits	114,125	78,032
Other Property and Investments	(4,790,831)	(3,461,233)
Net Cash From Investing Activities	\$ (13,909,613)	\$ (13,170,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt to RUS	\$	\$ (1,153,099)
Advance Payments	918,167	10,781,431
Payments on Long-Term Debt to FFB	(1,790,197)	(11,891,726)
Payments on Long-Term Debt to CFC	(184,421)	(176,660)
Payments on Long-Term Debt to CoBank	(269,589)	(256,222)
Advance on Long-Term Debt from FFB	10,684,733	10,000,000
Payments on Behalf of Retirees	(89,972)	(60,070)
Retirement of Patronage Capital	(3,592,944)	(3,853,875)
Memberships	(380)	380
Net Cash From Financing Activities	\$ 5,675,397	\$ 3,390,159
CHANGE IN CASH AND CASH EQUIVALENTS	\$ (5,216,407)	\$ (5,139,049)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	12,143,886	17,282,935
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,927,479	\$ 12,143,886
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ 1,796,154	\$ 1,881,580
Income Taxes	\$ 0	\$ 0

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 connections®

"Owned By Those We Serve"

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



**LEA COUNTY ELECTRIC
COOPERATIVE, INC.**

73RD ANNUAL MEETING OF THE MEMBERS

FRIDAY, APRIL 29, 2022

LOVINGTON, NM TATUM, NM PLAINS, TX

REGISTRATION GIFT

While supplies last.



GRAND PRIZE

\$2,500

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