

We're Proud to Power YOU.

Local, Safe, Reliable Electricity.
For all the ways you live.

2017 Annual Report



CENTRAL VALLEY ELECTRIC
COOPERATIVE, INC.



YEARS OF SERVICE



Notice of Annual Meeting

To the Members of Central Valley Electric Cooperative, Inc.:

Notice is hereby given that the annual meeting of the members of Central Valley Electric Cooperative, Inc. will be held on **Saturday, March 17, 2018**, at 1:30 p.m., at the Estelle Yates Auditorium (215 S. 15th Street (Bulldog Blvd.), Artesia, NM).

Action will be taken on the following items of business:

1. Any reports covering the year 2017, including acting upon reports of trustees.

2. Election of two (2) members to the Board of Trustees.

The Nominating Committee, appointed by the board of trustees, present the following candidates for election to the board of trustees for one 3-year term.

District 3

Cottonwood/Lake Arthur

STEVE SPENCE (incumbent)

District 6

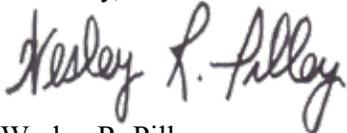
North of Roswell

CHARLES G. WAGNER, JR. (incumbent)

Any person voting for a company or a corporation at a membership meeting of Central Valley Electric Cooperative must be an officer of that company or corporation, or be authorized, in writing, by an officer to vote. No person authorized in writing to represent a corporate membership will be allowed to register and vote for more than one membership. In the case of individual (non-corporate) membership, proxy voting is not allowed. Only the husband or wife may register and vote for the individual membership.

In witness whereof, this Notice has been issued by the Secretary/Treasurer of Central Valley Electric Cooperative, Inc., dated this 7th day of March, 2017.

Sincerely,



Wesley R. Pilley
Secretary/Treasurer

Co-op Facts

Date Incorporated

June 23, 1937

Date Energized

October 5, 1938

Years in Business

80

Counties Served

Eddy

Chaves

Parts of Lea & Otero

Number of Employees

90

Number of Members

4,157

Number of Meters

15,350

Number of Substations

30

Power Suppliers

Western Farmers Electric Cooperative &
Southwestern Public Service Co.

Aviso de Reunión Anual

Para los miembros de Central Valley Electric Cooperative, Inc.:

Se avisa por este medio que se llevara a cabo la junta anual para los miembros de Central Valley Electric Cooperative, Inc. el sábado **17 de marzo del 2018,** a la 1:30 p.m., en el Auditorio de la Estelle Yates, localizado en la calle 215 S. 15th, Artesia, NM.

Se tomará acción en los siguientes temas:

1. Reportes que cubren el año 2017, incluyendo informes de la junta directiva.

2. Elección de dos miembros a la Junta Directiva.

El Comité de nominaciones, designado por la Junta Directiva, les presenta a los siguientes candidatos para elegir miembros a la Junta Directiva, para un plazo de 3 años.

Distrito 3

Cottonwood/Lake Arthur

STEVE SPENCE (candidato)

Distrito 6

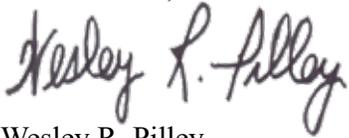
North of Roswell

CHARLES G. WAGNER, JR. (candidato)

Cualquier persona que vota a favor de una empresa o una corporación en una junta de miembros de la cooperativa debe ser funcionario de esa empresa o corporación, o autorizados por escrito por un oficial, para votar. Ninguna persona autorizada por escrito para representar una membresía corporativa podrá registrarse y votar por más de una membresía. En el caso de la membresía individual (no corporativos), no se permite la votación por delegación. Solo el marido y la esposa pueden registrarse y votar como una membresía individual.

En fe de lo cual, este aviso ha sido emitido por el Secretario y Tesorero de La Cooperativa, Central Valley Electric, este día 7 de marzo del 2018.

Sinceramente,



Wesley R. Pilley
Secretario/Tesorero

7 Co-op Principles

These seven cooperative principles lead CVE to do business in a better way every single day.

1. Voluntary & Open Membership

Cooperatives are open to all persons able to use their services and willing to accept the responsibilities of membership.

2. Democratic Member Control

Co-ops are democratic organizations controlled by their members, who actively participate in setting policies and making decisions.

3. Members' Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative.

4. Autonomy and Independence

Co-ops are autonomous, self-help organizations controlled by their members.

5. Education, Training & Information

Co-ops provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-op.

6. Cooperation Among Cooperatives

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

7. Concern for Community

Co-ops strive to work for the sustainable development of their communities through policies accepted by their members.

Executive Summary



Charles T. Pinson, Jr.
Executive Vice President
& General Manager

The year 2017 marked Central Valley Electric Cooperative's 80th anniversary. Incorporated June 23, 1937, CVE was the first rural electric cooperative organized in the State of New Mexico. Numerous times over the years, your cooperative has changed the way it operates. However, one thing has never changed, and that is we exist to serve and protect our members. The co-op's Vision Statement sums it all up very well stating that; *CVE is a member-focused electric cooperative dedicated to personalized quality service for its members and the economic vitality of our community.*

One thing has never changed, and that is we exist to serve and protect our members.

On our 75th anniversary, CVE embarked on a major change in wholesale power providers when Western Farmers Electric Cooperative (WFEC) began delivering power to meet the first phase of the transition away from Southwestern Public Service Company (SPS). It's interesting that on our 80th anniversary, WFEC began delivering power to meet the phase two transition away from SPS. Included in the phase two deliveries from WFEC was a 5.5 megawatt (MW) allocation of solar power generated from the Caprock Solar Facility near Clovis. Today WFEC provides approximately 36 percent of CVE's wholesale power. Ultimately, WFEC will provide all of our power by the year 2026 when CVE will become fully transitioned away from SPS wholesale power delivery.

Beginning in the mid 2000s, CVE participated for more than a decade in

numerous Federal Energy Regulatory Commission (FERC) cases on various issues regarding the wholesale power contract with SPS. As a result of our active participation, co-op members have realized lower wholesale power and transmission rates as well as fuel charges used to generate wholesale power. CVE received refunds from SPS, in excess of the legal and consulting expenses, for the FERC cases in the amount of \$1,406,167. The co-op decided to defer all expenses and refunds until the cases were ultimately settled in late 2015. In October 2016, by order of the New Mexico Public Regulation Commission (NMPRC), CVE began refunding the \$1,406,167 to members. Starting in November 2016, CVE made 12 equal installment payments into the co-op's Fuel and Purchased Power Cost Adjustment balancing account.

Summary of Finance and Operations for 2017:

- **TOTAL ENERGY SALES:** Total energy sales in 2017, were 780,399 megawatt-hours (MWh), which was approximately 1.8 percent higher than 2016 energy sales. This increase was driven by a slight increase in oil and gas activity.
- **TOTAL ASSET VALUE:** CVE's Total Asset Value for year-end 2017 was \$215,372,637, which was approximately \$24.3 million above year-end 2016. This was primarily a result of drawing down the remaining funds from our last loan application from the USDA Rural Utilities Service (RUS).
- **OPERATING REVENUES:** Operating revenues for 2017 were \$67,879,639, which was \$4 million higher than 2016. This was primarily a result of increased market prices for energy and transmission rates from the Southwest Power Pool.
- **MARGINS:** Overall year-end 2017 margins for CVE was \$9,032,846, which was \$870,671 lower than 2016. Of the 2017 margins, \$1,248,176 represent equity payments to WFEC pursuant to the transition agreement for membership.

Over the past year, CVE began a detailed process of reviewing future capital requirements, as well as reviewing current Rates and Rules and Regulations on file with the NMPRC. The last rate case CVE filed went into effect February 1, 2009. Since that time, the co-op has added over \$105 million to the distribution system in Total Utility Plant, and increased Total Asset Value by 144 percent. This process all began with the Board of Trustees approving the 2017-2020 Four-Year Construction Work Plan. This plan projects \$44,238,250 in capital requirements for improvements across the distribution system. Next, CVE retained the consulting firm of C. H. Guernsey out of Oklahoma City, Oklahoma, to conduct a Financial Forecast. After extensive review of various models prepared by Guernsey, the CVE Board approved a Financial Forecast. This forecast would allow equity, as a percentage of total assets, to drop to 50 percent. It also called for a 3.5 percent overall revenue reduction and to utilize the remaining loan funds available from CVE's prior RUS loan application. With the Financial Forecast decided, CVE again retained C. H. Guernsey to prepare a detailed Cost of Service Study and Rate Design. The Cost of Service Study allocated all of the assets and expenses of the co-op to the various rate classes and determined the current rates of return. After extensive review of the Cost of Service Study, it was found that some rate classes were under performing while other classes were over performing. As a result, CVE's Board approved a change in rates consistent with the 3.5 percent revenue reduction. Ultimately this resulted in a slight increase to the Residential and Small Commercial rate classes and a slight decrease to the Irrigation, Oil Well, Large Power and Mega Power rate classes. Prior to filing the redesigned rates with the NMPRC, CVE held numerous meetings with members across the system to explain the Cost of Service Study and the proposed rates. The rates were filed with the NMPRC on January 2, 2018, and became effective February 2, 2018.

The Board of Trustees recently authorized the retirement of \$4,764,262 in capital credits for the years 1998 and 1999. Capital credits and/or bill credits were issued in February 2018. The retirement of capital credits is one of the many values associated with your membership in Central Valley Electric Cooperative.



As many of our members know, CVE has installed Sensus Automated Metering Infrastructure (AMI) meters across the system, with the exception of the far outlying mountainous area on the west side of the co-op's system. CVE is working hard to install additional towers to help resolve the communication issues in the mountain areas so AMI meters can be implemented across the entire distribution system. The AMI system allows CVE to remotely read meters and provide members with access to their energy use information through the SmartHub application that is available on the co-op's website. In 2017, CVE further leveraged our technologies by implementing Outage Management Software (OMS). This software will allow the co-op to integrate the AMI system with the digital geographical mapping system allowing CVE to monitor the distribution system in real time. The OMS will allow CVE to see what meters are without power during an outage and better identify where to send personnel to resolve the outage. In the very near future, CVE plans to have a real time outage map on its current website that will help members see where outages are on the distribution system.

Clearly our 80th anniversary year was very busy. To all of CVE's past and present members, employees and board members, **THANK YOU** for your loyalty, dedication and hard work over the past 80 years and for helping grow and build Central Valley Electric Cooperative into the high quality power provider it has become.

Board of Trustees



Jason Ciempa

District 2
Loco Hills



Steve Spence

District 3
Cottonwood/Lake Arthur



Larry Benedict

District 5
South of Roswell

CVE Appoints New Board Member



Rusty Gwynne

District 1
Artesia/Lakewood



President

Chuck Wagner

District 6
North of Roswell



Vice President

Michael Bennett

District 7
Hope



Secretary/Treasurer

Wesley Pilley

District 4
Dexter/Hagerman

On June 26, 2017, the Central Valley Electric Cooperative board of trustees appointed Rusty Gwynne to serve on the co-op's board.

Gwynne was appointed to represent District 1, the Artesia/Lakewood area. This board seat became vacant in April 2017, with the resignation of trustee Jack Case.

Born and raised in Artesia, Gwynne is the owner/operator of Patterson Welding Works, a family-owned company for over 70 years. Gwynne and his wife Nita have three children, Mckinah, Kirstan and Konner.

Welcome Rusty Gwynne to CVE's Board of Trustees.

Chumbley Retires



On March 3, 2017, a retirement celebration was held for George Chumbley. Chumbley retired from Central Valley Electric Cooperative after 25 years of service.

In 1991, Chumbley started working at CVE as an equipment operator, and for the next 25 years he drove and operated various pieces of large equipment for the co-op.

When asked what he will miss about CVE, Chumbley stated, “I will miss the friendships with fellow employees the most.”

Chumbley plans to travel with his wife Carolyn, and he also plans to continue driving trucks as jobs arise.



Central Valley Electric Cooperative would like to thank George Chumbley for his years of service to the co-op.



Thank You Mr. Case



In April 2017, after 39 years of service, Mr. Jack Case resigned from the Central Valley Electric Cooperative board of trustees.

Case was elected to represent District 2, the Loco Hills area, from 1977 to 1987, before he and his wife Doris moved west of Artesia. Then in



1988, he was appointed to represent District 1, the Artesia/Lakewood area, when that board seat became vacant. Mr. Case served District 1 for 29 years, and served as board president from 1998 to 2004. CVE General Manager Chuck Pinson said he appreciated Case’s leadership on the board and his concern for the co-op’s members and employees.

To honor Mr. Case and his long-time commitment to CVE, the board of trustees voted to rename the co-op’s community meeting room the Jack Case Community Room.

CVE would like to thank Mr. Case for his many years of dedicated service to the employees and the members of Central Valley Electric Cooperative.



Balance Sheet

As of December 31, 2017

Assets

Total Utility Plant in Service	\$ 181,486,756
Construction Work in Progress	8,708,846
Less Accumulated Depreciation	<u>30,380,448</u>
* Net Utility Plant in Service	\$ 159,815,154
Invest. in Assoc. Org. Patronage Capital	1,349,788
Invest. in Assoc. Org. General Funds	18,099,419
Other Investments	<u>1,688</u>
* Total Investments	\$ 19,450,895
Cash-General Funds	11,191,586
Temporary Investments	15,272,162
Notes Receivable	95,372
Accounts Receivable-Sale of Energy	4,132,118
Accounts Receivable-Other	61,973
Materials and Supplies-Electric & Other	3,348,622
Prepayments	299,953
Other Current and Accrued Assets	<u>0</u>
* Total Current and Accrued Assets	\$ 34,401,786
Other Deferred Debits	1,704,801
** Total Assets & Other Debits	\$ <u>215,372,636</u>



Liabilities

Patronage Capital	\$ 95,280,972
Operating Margins Prior Years	288,272
Operating Margins Current Year	6,980,632
Non-Operating Margins	19,070,561
Other Margins & Equities	<u>-4,658</u>
* Total Margins & Equities	\$ 121,615,779
Long Term Debt - RUS	54,034,517
(Payments Unapplied \$9,349,432)	
Long Term Debt Other	<u>12,810,996</u>
* Total Long Term Debt	\$ 66,845,513
Accumulated Operating Provisions	<u>257,013</u>
* Total Other Non-current Liabilities	\$ 257,013
Accounts Payable	4,872,397
Consumers Deposits	283,647
Other Current & Accrued Liabilities	<u>2,880,068</u>
* Total Current & Accrued Liabilities	\$ 8,036,112
Other Deferred Credits	18,618,219
** Total Liabilities & Other Credits	\$ <u>215,372,636</u>

Income Statement

Operating Revenue

	2016	2017
Electric and Other Revenue	\$63,879,979	\$67,879,639

Operating Expenses

Purchased Power	\$39,529,377	\$42,709,016
Operations & Maintenance	10,455,209	11,053,736
Depreciation	5,485,466	5,871,986
Interest	986,667	1,484,938
Other Deductions	39,115	33,773

Total Operating Expenses

	\$56,495,834	\$61,153,449
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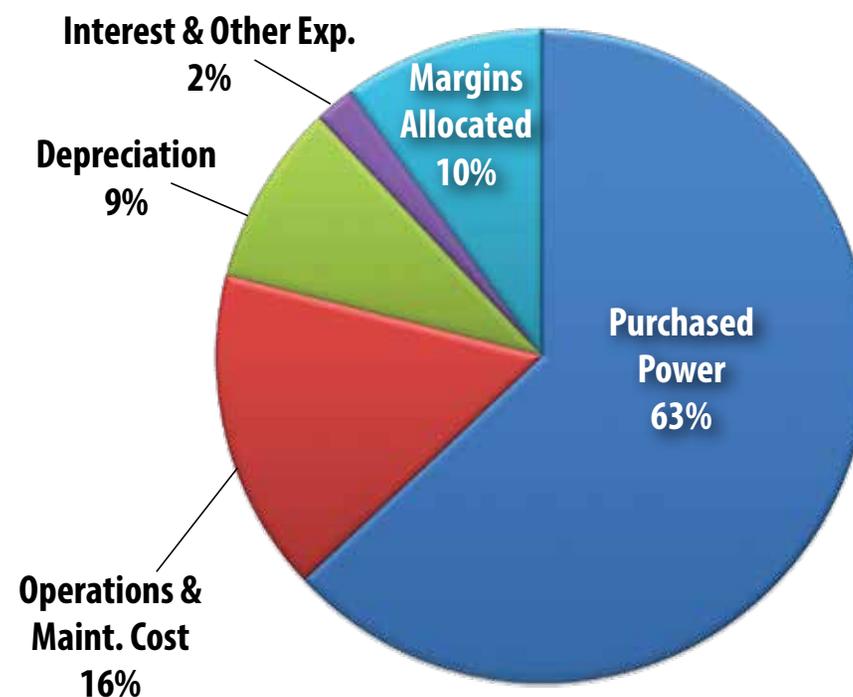
Net Margins

Operating Margins	\$ 7,384,145	\$ 6,726,190
Non-Operating Margins	825,492	1,058,480
WFEC Equity	1,693,879	1,248,176

Total Net Margins

	\$9,903,516	\$9,032,846
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Revenue dollars used to provide electric service in 2017.



Member Efficiency Rebates

Central Valley Electric Cooperative is always looking for ways to save members energy and money. That is why we offer the following rebates and programs. If you have any questions or want more information please give us a call or go to our website at www.CVECOOP.org.

Heating & Cooling Rebates

Did you know you can use the constant temperature of the ground to heat and cool your home or business with a Geothermal Heat Pump System?

The benefits of geothermal:

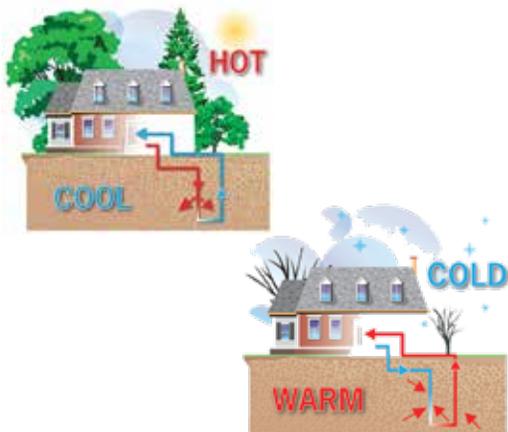
- ✓ Reduce energy usage 25-40%
- ✓ Home is more comfortable
- ✓ Geothermal units are quieter
- ✓ Longer life expectancy than conventional systems

Members who install geothermal:

- ✓ Get a minimum REBATE of \$2500 per ton
- ✓ New Mexico tax credit available

Rebates are also available for air source heat pumps.

Minimum equipment requirements apply



Commercial Lighting Rebate

Does your business have old inefficient lighting? CVE can help. Commercial and industrial members can receive a rebate for upgrading their existing lighting with more energy efficient lighting.

If you are interested in saving money on your electric bill and receiving a rebate from CVE to help offset the cost of upgrading your lighting, call a CVE member services representative.

Rebates are also available for commercial and industrial members who are interested in building new facilities.

Before lighting upgrade



After lighting upgrade

VFD Rebates

Central Valley Electric Cooperative has a rebate program for the installation of variable frequency drives (VFD). This rebate program is designed to promote energy efficiency for members using different types of motors.

CVE has given rebates for VFDs that were installed on salt water disposals in the oilfield and also on irrigation systems for farmers. If you are interested in learning more about CVE's VFD rebate call a CVE member services representative.

Minimum equipment requirements apply.



VFD installed in oilfield



VFD installed on irrigation system.

Member Efficiency Programs

Marathon Water Heaters

Central Valley Electric Cooperative sells Marathon Water Heaters to members for **60% OFF** the co-ops price. CVE keeps 30, 40 and 50 gallon sizes in stock.

The benefits of a Marathon:

- ✓ Has a seamless blow-molded polybutene (non-metallic) inner tank so it won't rust or corrode
- ✓ Has 2.5 inches of foam insulation around tank to minimize stand-by heat loss
- ✓ Lifetime warranty on the tank
- ✓ Five year warranty on parts



FREE Home Energy Audits

Central Valley Electric Cooperative members receive an Energy Saving Kit when you sign-up and have a **FREE Home Energy Audit** performed on your home.

You will receive a detailed audit report letting you know what you can do to help correct any problems. If any problems are identified during the home energy audit, you can use the materials in the Energy Saving Kit to make minor repairs at your own pace or get the professional help you might need for other repairs.

For more information and to get signed up call a member services representative or go to www.OKNM.coop.



Receive this Energy Saving Kit when you have a FREE Home Energy Audit performed on your home.

Discount Air Filter Program

A dirty air filter can cause your HVAC system to work less efficiently. So breathe easy and lower your energy bill by going to www.FilterChange.coop and save up to 50% on filters.

The filters are delivered straight to your door. You can also sign-up to receive an e-mail reminder when it's time to change your dirty air filter. Shipping is free and it's fast and easy.



Concern for Community

Concern for community is more than just one of the 7 Co-op Principles (see page 2 for the 7 Co-op Principles) that Central Valley Electric Cooperative operates by. CVE cares about the communities we serve because they're our communities too. Our employees live and work in the communities we serve.

The commitment to the communities CVE serves doesn't end at the office or the substation — the spirit of service continues even when co-op employees are off the clock. CVE employees readily give their time to serve on community boards, are active in civic organizations and are always willing to support local youth activities.

Ways CVE helps its communities:

- Free Electrical Safety Demonstrations
- College scholarships
- Sends high school students on an all-expense paid trip to Washington, D.C. for the Government in Action Youth Tour
- Picks up trash on our adopted highway mile
- Reads to children at local library
- Delivers Meals on Wheels
- Participates in community safety fairs and other events
- Sponsors area athletic teams
- Sponsors various youth organizations and activities
- Safe Haven Program
- And much more



CVE's 2017 Youth Tour Representatives
Brittany Yaste (l) & Meagan Lemon (r)



Education, Training & Information

The fifth Co-op Principle (see page 2 for the 7 Co-op Principles) is Education, Training and Information. CVE provides education and training for members, elected board representatives, managers and employees so they can contribute effectively to the development of the cooperative.

CVE Members:

CVE provides information on electrical safety, energy efficiency and co-op rebates, benefits and programs to members in various ways.

- Monthly newsletter
- *Enchantment* magazine
- Co-op webpage (www.CVECOOP.org)
- Social media (follow us at www.facebook.com/CVECOOP)
- Radio
- Newspaper
- Bill inserts
- On the phone or in our office
- Community events
- Safety demonstrations
- And much more

Elected Board Representatives:

CVE is governed by a seven member Board of Trustees. Board members are also members of the co-op and are elected by the membership. Because the electric utility industry is always changing, CVE works with the New Mexico Rural Electric Cooperative Association (NMRECA) and the National Rural Electric Cooperative Association (NRECA) to provide training for elected representatives. All seven of CVE's board members have completed the necessary classes needed to earn the Credentialed Cooperative Director (CCD) certificate.

CVE Employees:

CVE employees are given every opportunity to help them become better

and safer at performing their jobs. Safety meetings are held once a month and cover topics anywhere from distracted driving and ladder safety to bucket truck rescue and bloodborne pathogens. The Merchant Powerline Job Training Program is a four-year training program tailor-made for entry level electric utility personnel. There are also Underground, Overhead, Climbing, Metering, Reclosures and Transformer schools for employees to take advantage of. CVE employees also serve as instructors at these schools from time to time. Employees regularly attend training and conferences on human resources, marketing, billing software and much much more.

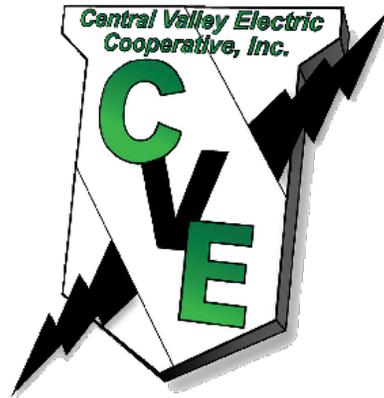
CVE feels it is important to equip their employees with the knowledge and skills they need to better serve the co-op and its members.



Brad Pollard (r), CVE Safety Coordinator, presents Jared George (l) with his Journeyman/Lineman certificate for completing the Merchant program.

Employee Milestones

Central Valley Electric Cooperative employees are on the front lines everyday because they know it's important your power is there when you need it. *Thank you* to the following employees for their years of dedicated service to CVE and its members.



Greg Atteberry
Journeyman/Lineman
20 years



JoAnna Callaway
Executive Assistant
10 years



Jarad Neel
Substation Technician
10 years



Jeremy O'Donnell
Serviceman
10 years



A J Olsen
Attorney
10 years



Dan Savage
Bucket Truck Operator
10 years



Leah Boone
Member Svcs Supervisor
5 years



Missy Fernandez
Data Processor
5 years



Jarad George
Journeyman/Lineman
5 years



Kathy Lewis
Dispatcher
5 years



Ricky Muñoz
Engineering Technician
5 years



Arnold Soto
Journeyman/Lineman
5 years



Rob Wachter
Engineering Technician
5 years

CVE on the GO!

Did you know you can get all of the latest news and information about Central Valley Electric Cooperative on our website and we also have a mobile version? Just visit www.CVECOOP.org. On our website you can also sign-up to receive e-mail communication to keep you updated on your co-op.

You can also stay connected with CVE on **Facebook** and stay up-to-date on what's going on at your co-op.

Join us online today!

Top 5 Reasons to Follow CVE at [Facebook.com/CVECOOP](https://www.facebook.com/CVECOOP)

- ▶ Tips for saving energy & money
- ▶ Information on member rebate programs & benefits
- ▶ Events/Co-op Celebrations
- ▶ Outage notifications
- ▶ General co-op news & information



Central Valley Electric Cooperative, Inc.

PO Box 230

Artesia, NM 88211-0230

(575) 746-3571 • www.CVECOOP.org



PRESORTED STANDARD
U. S. POSTAGE
PAID
LUBBOCK, TX
PERMIT No. 324

Central Valley Electric Cooperative, Inc.

Annual Meeting

Saturday, March 17, 2018 • Estelle Yates Auditorium • 1:30 pm

Lunch • 11:30 am to 12:45 pm • Park Junior High Cafeteria (1508 W. Cannon, Artesia, NM)

Registration • 12:30 pm to 1:30 pm • Estelle Yates Auditorium (215 S. 15th St. (Bulldog Blvd), Artesia, NM)

Entertainment provided by the Joel Gothard Band during registration

GREAT DOOR PRIZES & GIVEAWAYS

MUST BE PRESENT TO WIN DOOR PRIZES. To be eligible to win you must be registered at the annual meeting, be an active member of Central Valley Electric Cooperative, receiving service at least 14 days prior to the meeting, must meet all rules stipulated in the Notice of Annual Meeting and attend the business meeting.