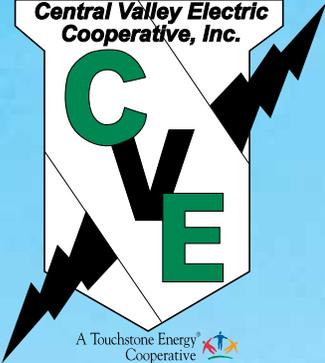
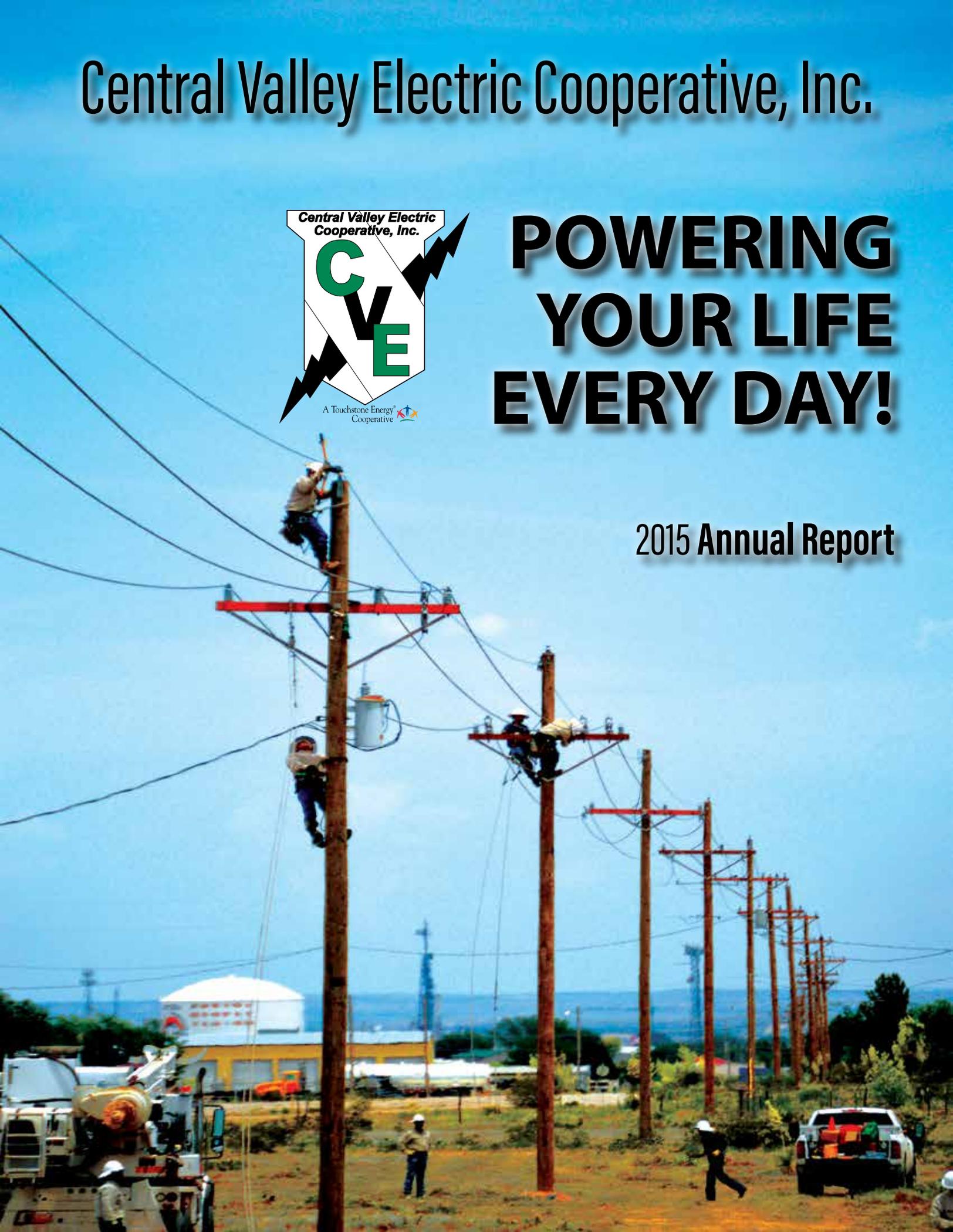


Central Valley Electric Cooperative, Inc.



POWERING YOUR LIFE EVERY DAY!

2015 Annual Report



The Cooperative Principles

Members of Central Valley Electric Cooperative are part of something special. CVE members are not clients, customers or account numbers – they are owners. The way we operate your cooperative is guided by the Cooperative Principles.

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.

Democratic member control

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

Members' economic participation

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

Autonomy and independence

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

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.

Cooperation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together.

Concern for community

While focusing on members needs, cooperatives work for the sustainable development of their communities.

Notice of Annual Meeting

Co-op Facts

Date Incorporated: June 23, 1937

Years in business: 78

Number of Employees: 87

Number of Members: 4,051

Number of Meters: 15,361

Number of Substations: 30

Total Miles of Line:

Distribution - 3,997 miles

Transmission - 178 miles

Board Meetings:

Fourth Wednesday of each month

Counties Served:

Eddy, Chaves, parts of Otero and Lea

Wholesale power providers:

Southwestern Public Service Co. &

Western Farmers Electric Cooperative

To the Members of Central Valley Electric Cooperative:

Notice is hereby given that the annual meeting of the members of Central Valley Electric Cooperative, Inc. will be held on **Saturday, February 27, 2016**, at 1:30 p.m., at the Estelle Yates High School Auditorium (215 S. 15th Street, Artesia, NM).

Action will be taken on the following items of business:

- **Any reports covering the year 2015, including acting upon reports of trustees.**
- **Election of three (3) 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 1 - Artesia/Lakewood: Mr. Jack Case (incumbent)

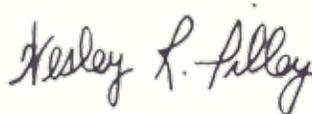
District 2 - Loco Hills: Mr. Jason Ciempa (incumbent)

District 5 - South of Roswell: Mr. Larry Benedict (incumbent)

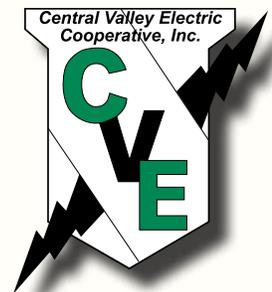
Any person voting for a company or a corporation at a membership meeting of CVE must be an officer of that company or corporation, or be authorized in writing by an officer to vote. No person authorized in writing to represent a corporate membership will be allowed to register and vote for more than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

In witness whereof, this notice has been issued by the Secretary/Treasurer of Central Valley Electric Cooperative, Inc., dated this 17th day of February, 2016.

Sincerely,



Wesley R. Pilley
Secretary/Treasurer



Executive Summary



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

Central Valley Electric Cooperative's Vision is to be a member-focused electric cooperative dedicated to personalized quality service for our members and the economic vitality of our communities. As a rural electric cooperative we are faced with many challenges in providing the high level of service that is expected of us, while working to keep electric rates as low as possible.

Most members may not realize the size of CVE's service territory. It is approximately 4,600 square miles located primarily in Chaves and Eddy counties. CVE owns and operates 3,997 miles of distribution power line, 178 miles of transmission power line, and 30 substations. CVE serves approximately 15,360 meters or on average 3.8 meters per mile of power line. This low density of meters per mile is characteristic of a rural electric co-op such as CVE. However, it creates additional burdens on controlling costs compared to an investor owned utility who may have hundreds of meters per mile and therefore lower maintenance costs on a per meter basis.



CVE has 87 employees proudly working to operate the cooperative and its electrical system. Be it severe thunderstorms in the summer, snow storms, such as the one after Christmas, or strong winds, our employees work hard to provide our

members with a continual supply of power. This is all being done while providing personalized quality service you've come to expect from your cooperative.

One of CVE's biggest achievements in 2015 was the full implementation of the Sensus Advanced Metering Infrastructure (AMI) project. With the exception of the Hope area, virtually all meters have been replaced with AMI meters. These meters are equipped with a radio frequency (RF) transmitter that transmits meter data to base stations installed on towers across CVE's system. Then meter data is transmitted back to the co-op's headquarters using CVE's microwave system. The microwave system was installed years ago for the substation Supervisory Control and Data Acquisition (SCADA) platform, which allows the co-op to monitor and control substations from the CVE headquarter facility. Data and alerts received from the AMI system allows CVE to more efficiently monitor and manage our large distribution system. We can receive alerts on problems as they occur and dispatch a serviceman to resolve the issue, and in some cases, even before the member realizes they have a problem.

CVE implemented Meter Data Management software and the SmartHub application from the National Information Solutions Cooperative (NISC) which allows CVE members to access their billing and usage information gathered from the AMI meters. Members can access this information using a smart phone, tablet or computer. Members can also access their account and view their electrical consumption on an hourly, daily, or monthly basis through the SmartHub app. The app even benchmarks outside temperatures because heating and cooling is one of the largest expenses to residential members. In the coming year, we intend to expand on the system by linking it to our mapping system and SCADA system via Outage Management software. This software will allow us to monitor the co-op's entire electrical system in real time and better meet the needs of our



2015

members. What all this means is that CVE is leveraging technology with existing facility equipment to better manage your distribution system, reduce expenses and provide additional features that will benefit members.

Over the past year, CVE continued to receive significant requests for power across the entire system, but primarily in the oil and gas fields throughout the Loco Hills area. CVE currently has contract construction crews working to install a new substation and transmission line in the Lusk area located south of Loco Hills which is on the far southeast side of the distribution system. This new substation will provide additional capacity to serve oil and gas loads.

The total asset value of your cooperative for year-end 2015 closed at \$180,719,993, which is approximately \$14.3 million above year-end 2014. This is primarily a result of construction projects completed on the system to serve new loads and equity paid to Western Farmers Electric Cooperative (WFEC), CVE's generation and transmission cooperative. Kilowatt-hour sales to members decreased by approximately 0.1% from 2014 sales for a total of 830,179 megawatt-hours sold. Operating revenues were \$67,780,423, which was \$3.7 million lower than 2014. This was primarily a result of decreased wholesale power costs resulting from lower generation fuel prices and the presence of the Southwest Power Pool Integrated Market. These lower wholesale power costs equate to lower retail energy costs for our members. The overall year-end 2015 margins from CVE were \$12,232,098, which is \$88,426 lower than 2014. Of the 2015 margins, \$2,160,198 represent equity payments to WFEC pursuant to the transition agreement for membership. Equity payments made to WFEC are booked to the credit of CVE and allocated to the members of CVE in the same manner as all other margins realized by the cooperative. The margins outside of the WFEC equity payments are used to maintain and build the cooperative's electric system, thereby reducing

the amount of additional debt needed to operate.

The Board of Trustees recently authorized the retirement of capital credits for the year 1996 in the amount of \$1,806,358. If you were a member of CVE in 1996, then capital credit checks or bill credits will be issued sometime in February of 2016. The retirement and return of capital credits is one of the many values associated with membership in your cooperative.

CVE continues to support energy efficiency programs such as Home Energy Audits, Air Source and Ground Source Heat Pumps, Commercial and Industrial Lighting, Variable Frequency Drives and Marathon Water Heater programs. These programs are designed to help members be more energy efficient. CVE plans to use a service offered by WFEC called GeoEnergy Services to provide professional support to our members who are interested in installing geothermal heating and cooling systems in their homes and businesses. CVE encourages all members to take advantage of the programs and rebates available through the co-op.

In closing, I would like to report that your cooperative is financially strong and positioned well to meet the needs of members. CVE's employees, staff and board have worked hard to provide for the needs of the cooperative and will continue our Vision of being a member-focused electric cooperative dedicated to personalized quality service for our members and the economic vitality of our communities. As a member, you are part of something we consider to be very special and unique.



Balance Sheet

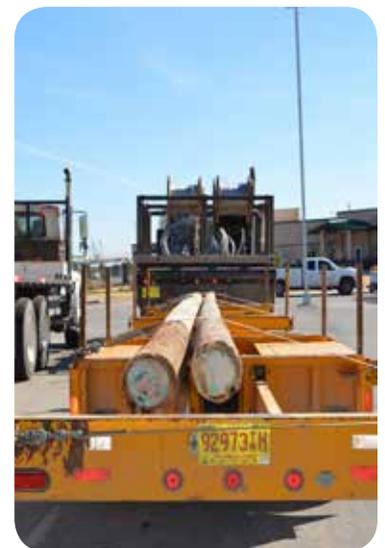
As of December 31, 2015

ASSETS

Total Utility Plant in Service	\$ 162,952,530
Construction Work in Progress	11,729,559
Less Accumulated Depreciation	<u>26,908,922</u>
* Net Utility Plant in Service	\$ 147,773,167
Invest. in Assoc. Org. Patronage Capital	1,107,085
Invest. in Assoc. Org. General Funds Other	15,073,210
Other Investments	<u>1,688</u>
* Total Investments	\$ 16,181,983
Cash-General Funds	5,880,150
Temporary Investments	2,628,074
Notes Receivable	108,992
Accounts Receivable-Sale of Energy	4,268,491
Accounts Receivable-Other	38,632
Materials and Supplies-Electric & Other	2,771,099
Prepayments	57,583
Other Current and Accrued Assets	<u>0</u>
* Total Current and Accrued Assets	\$ 15,753,021
Other Deferred Debits	1,011,822
** Total Assets & Other Debits	\$ <u>180,719,993</u>

LIABILITIES

Patronage Capital	\$ 80,780,764
Operating Margins Prior Years	288,272
Operating Margins Current Year	9,659,721
Non-Operating Margins	15,638,686
Other Margins & Equities	<u>-61,276</u>
* Total Margins & Equities	\$ 106,306,167
Long Term Debt - RUS	33,867,021
(Payments Unapplied \$ 7,861,895)	
Long Term Debt Other	<u>14,848,359</u>
* Total Long Term Debt	\$ 48,715,380
Accumulated Operating Provisions	<u>310,226</u>
* Total Other Non-current Liabilities	\$ 310,226
Accounts Payable	4,142,798
Consumers Deposits	160,482
Other Current & Accrued Liabilities	<u>3,280,620</u>
* Total Current & Accrued Liabilities	\$ 7,583,900
Other Deferred Credits	17,804,320
** Total Liabilities & Other Credits	\$ <u>180,719,993</u>



Income Statement

OPERATING REVENUE		2013		2014		2015
Electric and Other Revenue	\$	62,862,078	\$	71,481,560	\$	67,780,423
OPERATING EXPENSES						
Purchased Power	\$	41,114,513	\$	47,567,346	\$	42,008,266
Operations & Maintenance		7,621,292		9,355,535		7,904,755
Depreciation		3,491,068		5,060,216		7,545,887
Interest		1,008,169		989,651		943,992
Other Deductions		15,645		85,760		30,180
TOTAL OPERATING EXPENSES		\$53,250,687		\$63,058,508		\$58,433,080
NET MARGINS						
Operating Margins	\$	9,611,391	\$	8,423,052	\$	9,347,343
Non-Operating Margins		746,926		835,239		724,557
WFEC Equity		3,498,634		3,062,233		2,160,198
TOTAL NET MARGINS		\$13,856,951		\$12,320,524		\$12,232,098

2015 Revenue dollars used to provide electric service



Board of Trustees

The Central Valley Electric Cooperative service area is divided into seven districts. One member from each district is elected to the CVE Board of Trustees by the people who matter most – their fellow members. Once elected, they represent the best interests of all CVE members – not just those who live in their districts. This democratic process ensures that you’ll always have a voice and representation in how your co-op operates.



Jack Case
District 1
Artesia/Lakewood



Jason Ciempa
District 2
Loco Hills



Steve Spence
District 3
Cottonwood/Lake Arthur



Wesley Pilley
District 4
Dexter/Hagerman
Secretary/Treasurer



Larry Benedict
District 5
South of Roswell



Chuck Wagner
District 6
North of Roswell
President



Michael Bennett
District 7
Hope
Vice President

CVE would like to thank the following board members for their years of service to the cooperative:

- Wesley Pilley - 15 years of service
- Chuck Wagner - 15 years of service
- Michael Bennett - 10 years of service

CVE Employees

Central Valley Electric Cooperative is more than just poles and wires – it's people from your community working together to make up a winning team. The employees of CVE are on the front lines every day to bring you safe, reliable power. Thank you to the following employees for your many years of dedicated service to the co-op and its members.



Nick Rodriguez
40 years of service
Serviceman



Anna Pitts
25 years of service
HR Coordinator



Dwayne Pounds
25 years of service
Supervisor of Staking/Eng.



Ramon Barrera
20 years of service
Substation Technician



Anthony Salsberry
10 years of service
Journeyman/Lineman



Adrian Carrasco
5 years of service
Apprentice Lineman



Jake Daley
5 years of service
Apprentice Lineman



Michelle Galvan
5 years of service
Cashier



Brett Riggs
5 years of service
Substation Technician



Rory Watts
5 years of service
Engineering Aide



Co-op Retirees

Over 61 Years of Service

In 2015, Central Valley Electric Cooperative had two servicemen retire. Together, Rusty McKee and Riley Norris served the members of CVE for over 61 years.

Rusty McKee started working for CVE in 1978 and served as a serviceman in the Hagerman/Dexter area for all 37 years of his career.



Thank you Rusty McKee for your many years of service.

“I’ll miss the people the most,” stated McKee. “Not just the employees, but also the CVE members in the area I served. The employees and the customers make this company what it is, and CVE has some great guys you can rely on.”

McKee plans to do some traveling with his wife Pat and spend more time with his family and grandkids.



Riley Norris worked for CVE for over 24 years. Norris was a serviceman serving the members south of Roswell and parts of Dexter for most of his career.



Thank you Riley Norris for your many years of service.

Norris stated that he can now enjoy the weather and not worry about if he’s going to get called out to work in a storm. He also wanted to thank CVE for being a great place to work.

Norris and his wife Janet now live in Colorado. “I plan on doing a lot of fishing, walking the dogs and enjoying the great outdoors,” said Norris.





Community Involvement

Central Valley Electric Cooperative is committed to our communities and future generations. The cooperative donates to local causes and sponsors education scholarships and programs such as the Government-In-Action Youth Tour. Additionally, CVE employees are active in their communities, volunteering their personal time to programs that are important. For example, employees and their families pick up litter twice a year from the co-op's adopted highway mile, they deliver hot meals to residents as part of the Artesia Meals on Wheels program, and walk for a cure at the annual American Cancer Society Relay for Life in Artesia.

In 2015, CVE also reached out to the communities by holding member appreciation meetings in Dexter, Hagerman, Lake Arthur, Loco Hills, Hope and Artesia. These meetings gave members an opportunity to visit with co-op employees and learn about the different programs, rebates and benefits CVE offers its members.

In 2015, the Central Valley Electric Education Foundation paid \$150,000 in scholarships to area students pursuing a higher education. Scholarships are funded by unclaimed capital credits, donations and memorials.

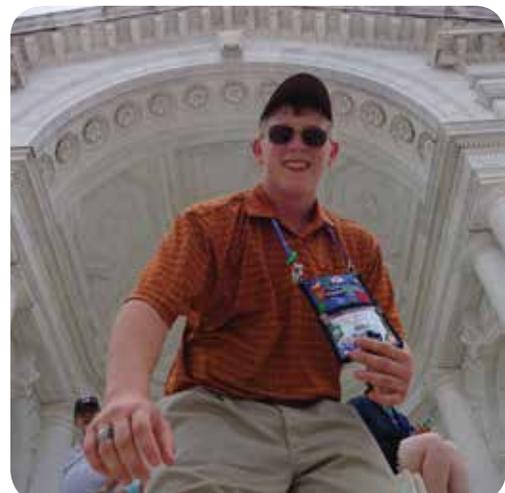
Visit www.cvecoop.org/content/scholarships for more information.



CVE employees volunteer to pick up litter along the co-op's adopted highway mile.



CVE employees get organized before they deliver Meals on Wheels



CVE 2015 Youth Tour representative, J. D. Runyan



Advanced Metering

In 2015, Central Valley Electric Cooperative replaced approximately 13,000 meters with Advanced Metering Infrastructure (AMI) meters. These meters allow CVE to automate processes like meter reading to save time, and money. We've been telling members about the benefits of advanced meters since before 2013, when the co-op started a pilot study of the advanced meters.

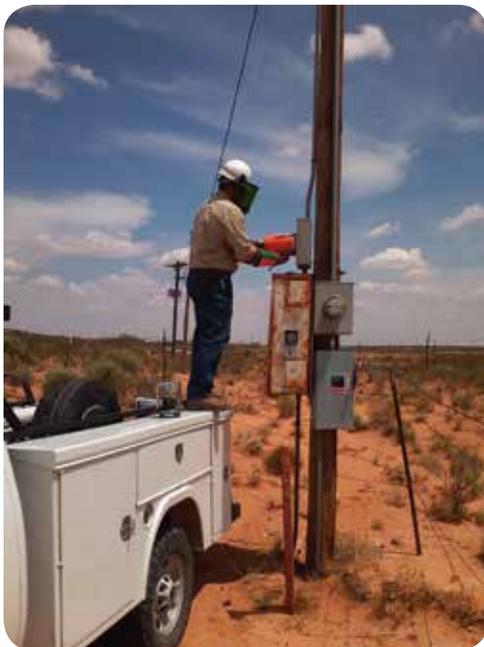
All CVE AMI meters are linked to the co-op's Meter Data Management System (MDM). This software validates the electric use data generated through the advanced meters and notifies CVE of abnormal readings. The MDM system generates approximately 715,000 meter readings per day, and over 2.1 million readings per month. That's a significant expansion in energy use information compared to the previous manual system where individual meters were read once a month by meter readers. Having more usage information allows CVE members to better track and compare usage patterns through the co-op's SmartHub bill pay tool.

AMI meters only measure the kilowatt-hours (kWh) used at the meter location. CVE cannot tell which piece of equipment or appliance is using the power.

Taking advantage of new technologies is one more way CVE is serving you better.



CVE employees get a final reading on old meters that were replaced with AMI meters.



CVE employee switches out one of almost 13,000 AMI meters changed in 2015.

AMI meters provide CVE and members with several benefits:

- CVE no longer has to send employees or contractors to read the cooperative's almost 15,400 meters each month. This saves money as well as employees' time. The AMI meters also eliminate the possibility of human error and the need to estimate readings. (Residential AMI meters are still manually read every 6 months. Commercial AMI meters are read manually once a year.)
- The technology allows CVE personnel to help members understand their energy use, by using SmartHub, if they have questions or concerns about their bill.
- AMI meters give CVE better capability to recognize potential issues before they become problems.
- CVE personnel can check meters along a line of service to see if there is power. This could help locate an outage and speed restoration as well as reduce unnecessary trips for servicemen and linemen.



Online Innovation

THE POWER IN YOUR HOME OR BUSINESS AT YOUR FINGERTIPS – ANYTIME, ANYWHERE

You may have heard about SmartHub, Central Valley Electric Cooperative's innovative tool for account management, but what can it do for you? Together with CVE's Meter Data Management System (MDM), SmartHub can help you take control of your electricity and your CVE account like never before.

SmartHub has several features that make managing your account as easy as possible. Whether through the web, or your smartphone or tablet (Android or iOS), you'll be able to pay your bill, and view your electric use.

As soon as you log in, you'll be able to view your billing history and make a payment with just a couple of clicks... or taps, if you're using the app! You'll be able to see your current bill, along with bills from the previous month or even the previous summer, if you want to compare costs. Not only will you see your billing history, but you'll be able to view your actual electric use. You can see how your use is trending over time, which will allow you to take steps to reduce your



consumption and lower your bill.

Making payments through SmartHub is fast and easy. The first time you make a payment, either through the web or through your mobile device, you'll be able to securely store your payment information for future transactions. The next time you need to pay your bill, it will only take a couple of clicks.

Ready to get started? Access SmartHub by visiting CVE's website at www.CVECOOP.org or by downloading the app on your mobile device through the App Store (iPhone or iPad) or Google Play Marketplace (Android phone or tablet).



SmartHub provides several tools for you to analyze your past and current usage, as well as plan and conserve in the future.

With SmartHub you can:

- Get a detailed look at your past and current usage all in one place.
- Compare two bills worth of usage history side by side.
- See what your typical or average usage is for a selected time period.

Energy Efficiency



Variable Frequency Drive

In early 2014, Central Valley Electric Cooperative solicited agricultural members to participate in a Variable Frequency Drive (VFD) pilot project. The objective of the project was to quantify demand and energy reduction with the use of VFDs compared to traditional irrigation motors with soft starts. Demand reduction benefits the membership of CVE by reducing wholesale power costs, Western Farmers Electric Cooperative equity, and tariff costs, while reducing the potential need for new generation in the future.

CVE began collecting data in April 2014 on local irrigation sites before VFDs were installed. More data was collected after VFDs were installed, and in May 2015, data collection was complete. After collecting data for more than a year, the information was given to Guernsey; a team of engineers, architects, and consultants. They determined that the use of VFDs

increase power factor, decrease water loss, and reduces kilowatt-hour (kWh) usage for the member and kilowatt (kW) demand for CVE.

Upon the completion of the pilot project and with recommendations from Guernsey on the deemed energy savings, CVE was able to develop an energy efficiency program for members that was feasible for the co-op. The rebate program was approved by the Board of Trustees in July 2015.

VFDs not only help irrigation applications, but also oilfield applications. VFDs help with production control and allows motors to be adjusted accordingly while insuring proper voltage. CVE members can receive rebates of \$100 per horsepower (HP), up to 200 HP, on the installation of VFDs.

Whether it's farming or pump-jacks, CVE wants to help members save money. Contact Leah or Raelynn for program details and eligibility.

Energy Efficient Rebates & Programs

CVE offers various programs and rebates designed to help members use energy more efficiently.

LEDUSA

Go to LEDUSA.com/CVE to purchase discounted Light Emitting Diode

(LED) bulbs. On top of the already negotiated discounted prices, CVE has discounted an additional \$2 on a select number of bulbs. (In order to see the discounted prices you will need to register using your Co-op Connections Card. Give us a call if you need a card.)



HOME ENERGY AUDITS

A home energy audit is an inspection and evaluation of a home's energy efficiency level. CVE members can sign-up and have a FREE home energy audit performed.

MARATHON WATER HEATERS

CVE sells Marathon Water Heaters to members at 60 percent off the co-ops price. These water heaters come in a variety of sizes.



HEATING & COOLING REBATES

Members can get rebates for installing qualified geothermal or air source heat pumps. (Specific equipment requirements do apply.)

COMMERCIAL LIGHTING REBATES

Energy efficient lighting can help CVE members save money. Rebates are available for commercial and industrial members who upgrade existing lighting or install energy efficient lighting in new buildings.

VARIABLE FREQUENCY DRIVE REBATES

Members can receive \$100 per horsepower (HP), up to 200 HP, for the installation of VFDs. (Specific guidelines do apply.)

HAVE QUESTIONS? • WANT MORE INFORMATION?

Contact Leah or Raelynn 575-746-3571

or go to www.CVECOOP.org



We're Here For You

People depend on power every day, but very few actually consider how electricity gets to their homes. Before you switch on the lights, Central Valley Electric Cooperative employees have already put up the poles, connected miles of wire and flipped more than a few switches of their own, all to make sure your life is always powered.

Employees of CVE are committed to helping members weather the elements. Before, during and after any storm whether it be rain, sleet, ice, snow or wind, it's still the human element that is the most powerful. For that we thank the hard working employees of Central Valley Electric Cooperative.



Central Valley Electric Cooperative, Inc.

PO Box 230

Artesia, NM 88211-0230

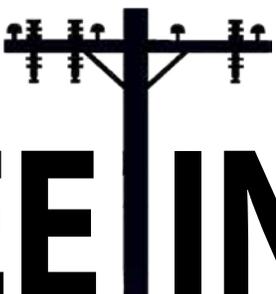
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Central Valley Electric Cooperative



ANNUAL MEETING

Saturday, February 27, 2016 ■ Estelle Yates High School Auditorium ■ 1:30 p.m.

LUNCH

11:30 a.m. to 12:45 p.m.

Park Jr. High Cafeteria

1508 W. Cannon

Artesia, NM

Come early and visit informational booths where you can learn about programs and rebates offered by CVE.

REGISTRATION

12:30 a.m. to 1:30 p.m.

Estelle Yates HS Auditorium

215 S. 15th St. (Bulldog Blvd.)

Artesia, NM

**GREAT DOOR PRIZES
& GIVEAWAYS**

Entertainment by:
Acoustically Yours

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 CVE 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.