



Message From the General Manager



Lance Adkins, GM

Considering the current restrictions on large gatherings and expectations that restrictions will continue for the balance of this year due to COVID-19, we do not expect to be able to hold an Annual Membership Meeting in 2020. However, it is important that we provide the mem-

bership with a report of financial conditions for calendar year 2019, just as we would in the Cooperative's Annual Report to the membership. Financial information provided are audited numbers as verified by the independent auditor's report to the Board of Trustees.

The Board and management of Farmers' Electric (FEC) are pleased to inform the members that 2019 was a good year for the Cooperative, exceeding financial targets established by the Board, lenders, and regulators. Energy sales were down 1.6 percent overall from 2018, with the most significant change in the irrigation rate class, down 8 percent. Moderate summer and winter temperatures, combined with rainfall during the 2019 crop growing season, were the primary factors in reduced sales. Annual margins were over \$3.3 million with recorded energy sales of 375,420,972 kilowatt-hours (kWh).

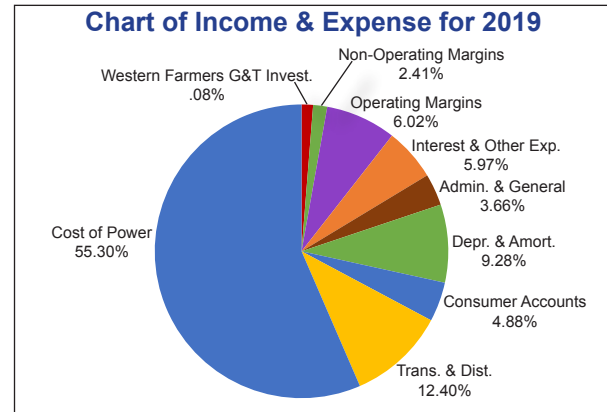
Annual margins are those dollars left at the end of the year after all expenses have been paid and are then allocated back to the members as patronage capital, often referred to as capital credits. Each member's share of capital credits is based on their purchase of electricity and other electric services. Instead of these "profits" going to some distant shareholder or investor they belong to the membership and are returned at the

direction of the Board of Trustees and as financial conditions permit.

As reported in the April issue, Trustees had approved allocation of 2019 margins and capital credit refunds to the membership of over \$1.5 million dollars. Further, as national, state, and local policy makers intensified efforts to "flatten the curve" on the spread of the virus, economies were decimated world-wide. Trustees, aware that FEC members were facing difficult circumstances convened a Special called Board meeting, rescinding capital credit action taken at the March Board meeting and approved the return of 100 percent of the 2019 Electric Margin, \$3,340,770 in direct proportion to each member's 2019 Capital Credit allocation. Active members received their refund as a bill credit on the April billing invoice, inactive members received a refund check mailed to their forwarding address. We received many notes, cards and calls thanking the Board for swift and decisive action to provide a significant measure of financial relief to the membership in the early stages of the pandemic.

More good news, the wholesale cost of electricity continues to trend relatively low, down 5 percent from the prior year. With over 55 cents of every dollar members paid last year used to purchase wholesale power, wholesale power supply cost continues to be the greatest single component in what members pay for electricity. Lower wholesale power costs are due to continuing low cost for natural gas burned to generate electricity and an increasing volume of competitively priced wind and solar energy in wholesale markets. In many cases renewable energy, from utility scale projects, can be purchased at rates below the cost of fuel used to generate electricity in conventional power plants.

HOW YOUR 2019 DOLLAR WAS USED TO BRING YOU ELECTRIC SERVICE



TOTAL REVENUE (BREAKDOWN BELOW) \$36,953,013

Expenses

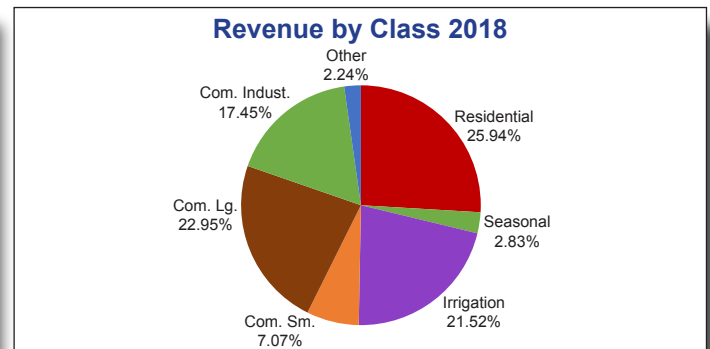
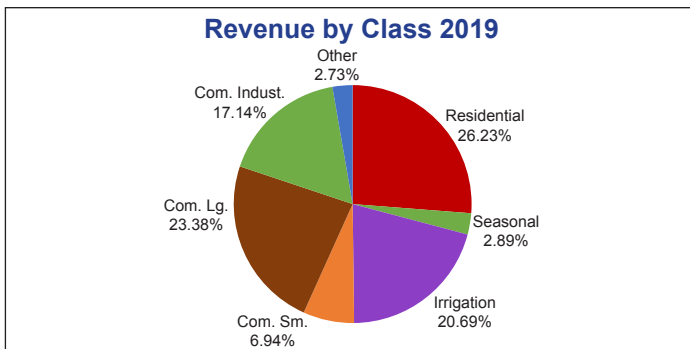
Cost of Wholesale Power	\$20,435,277	
Transmission & Distribution	\$ 4,581,097	
Consumer Accounts	\$ 1,802,815	
Depreciation & Amortization	\$ 3,427,876	
Administrative & General	\$ 1,351,352	
Interest & Other Expenses	\$ 2,207,642	\$33,806,059

Operating Margins \$ 2,226,037

Non-Operating Margins \$ 892,305

Western Farmers G&T Investments \$ 28,612

SOURCES OF REVENUE	2019	2018
Residential	\$ 9,693,266	\$ 9,938,107
Seasonal	\$ 1,067,197	\$ 1,083,185
Irrigation	\$ 7,646,892	\$ 8,246,057
Commercial, Small	\$ 2,563,452	\$ 2,710,750
Commercial, Large	\$ 8,641,047	\$ 8,794,325
Commercial, Industrial	\$ 6,334,375	\$ 6,688,836
TOTAL SALE OF ELECTRIC ENERGY	\$35,946,229	\$37,461,260
Other Revenue	\$ 1,006,784	\$ 857,950
TOTAL REVENUE	\$36,953,013	\$38,319,210



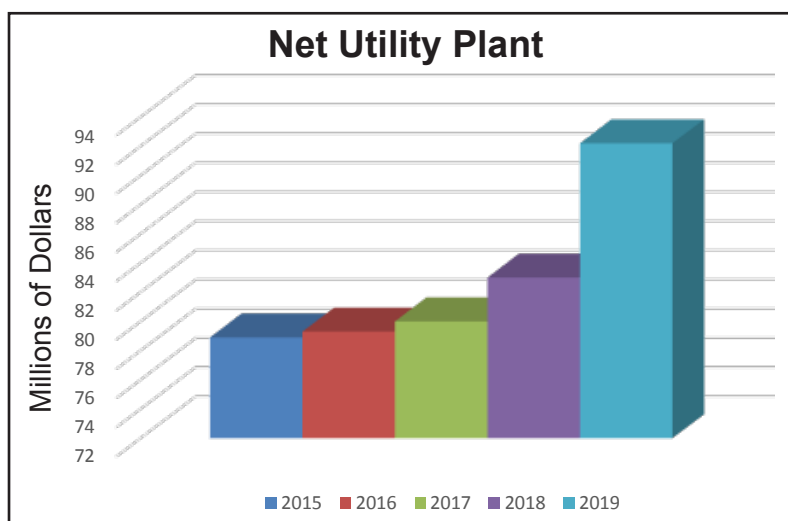
WHAT WE OWN - ASSETS

Cash & Investments	\$ 14,474,678
Western Farmers Electric Cooperative Equity Investment	\$ 9,348,646
Accounts & Notes Receivable	\$ 3,030,382
Materials & Supplies	\$ 1,744,568
Deferred Debits & Other Assets	\$ 2,031,131
Net Utility Plant	\$ 92,243,473
TOTAL ASSETS	\$122,872,878

WHAT WE OWE - LIABILITIES

*Long Term Debt to RUS, FFB, CFC, and CoBank	\$ 61,629,478
Current & Accrued Liabilities	\$ 5,072,021
Deferred Credits	\$ 2,266,499
Patronage Capital & Margins	\$ 53,904,880
TOTAL LIABILITIES	\$122,872,878

*During 2019 Principal Payments to RUS, FFB, CFC, and CoBank Totaled \$11,409,030



FEC Operation's Update

Upgrades to System During 2019 adds \$9.2 Million to Net Utility Plant

FEC's Operations Department was busy with various projects aimed at improving system reliability and providing for future load growth. These projects increased FEC's net utility plant by \$9.2 million to total approximately \$92 million.

Here are a few of the many projects to which this increase is credited:

- **Transmission line rebuild between Melrose and Fort Sumner.** Approximately 38 miles of aged transmission line was rebuilt between Melrose and Fort Sumner. The old wood structures were replaced by Ductile iron poles with 477 wire conductor, energized at 69,000 Volts (69kV). This is a very stout line now and should be very reliable and in service for many years to come.



Pole Testing

- **Pole testing and change-outs.**

FEC is continuously testing portions of our over 80,000 poles. As a targeted goal, we try and test poles in a 10-year rotation. Poles are tested by a contractor out of San Antonio, Texas, Ground Line Services (GLS). Poles deemed sub-standard are replaced by FEC line crews and/or contract crews.

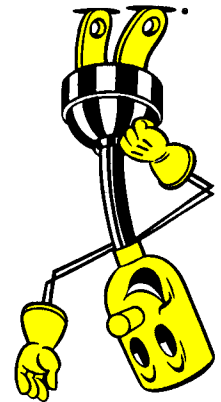


Transmission Line Rebuild

- **Conchas Project.** The Conchas Dam project was very involved.

Logistically, there were many challenges. In the end, all the old "open secondary" was removed, additional distribution transformers were added, and aging poles were replaced. Utilizing both FEC crews and contract crews, from start to finish, the project took several months to complete. This true upgrade will prove its worth in being more reliable and will better support present and future power demands.

Annual Report 2019



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