

# COMMITTED TO SERVING YOU



## 2016 ANNUAL REPORT

# NOTICE OF ANNUAL MEETING

## 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, March 18, 2017**, 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 2016, including acting upon reports of trustees.**
- **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.

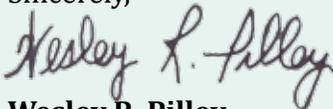
**District 4 -Dexter/Hagerman: Mr. Wesley Pilley (incumbent)**

**District 7 -Hope: Mr. Michael Bennett (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 for the individual membership.

In witness whereof, this notice has been issued by the Secretary/Treasurer of Central Valley Electric Cooperative, Inc., dated this 8th 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:

79

### Number of Employees:

90

### Number of Members:

4,098

### Number of Meters:

15,594

### Number of Substations:

30

### Total Miles of Line:

Distribution: 4,008 miles

Transmission: 183 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



# BOARD OF TRUSTEES

One of the many benefits of being a member of Central Valley Electric Cooperative is that you have a say in how the co-op is operated. Your voice is heard by voting for the co-op members who serve on the board of trustees. This seven member board represents the best interests of all CVE members.



President

**Chuck  
WAGNER**

District 6  
North of Roswell

16 years of service



Vice President

**Michael  
BENNETT**

District 7  
Hope

11 years of service



Secretary/Treasurer

**Wesley  
PILLEY**

District 4  
Dexter/Hagerman

16 years of service



**Jack  
CASE**

District 1  
Artesia/Lakewood

38 years of service



**Jason  
CIEMPA**

District 2  
Loco Hills

7 years of service



**Steve  
SPENCE**

District 3  
Cottonwood/Lake Arthur

1 year of service



**Larry  
BENEDICT**

District 5  
South of Roswell

5 years of service

# EXECUTIVE SUMMARY



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

The strength of Central Valley Electric Cooperative generates from its employees, the Board of Trustees and its members. Together we all operate as a team to collectively propel CVE forward to be a strong, vibrant electric utility. As a member of CVE it is important to know the difference between an electric cooperative and an investor owned utility. Electric

cooperatives, such as CVE, are not-for-profit, are local, are owned by those we serve, and are governed by a board of trustees who are elected from the membership. Investor owned utilities, such as Xcel Energy, Public Service Company of New Mexico and El Paso Electric, are profit motivated companies with earnings distributed to the stockholders of the companies. CVE's decisions are made with the best interests of you, the member, in mind. All margins generated by CVE, after payment of operating expenses, are allocated back to the member in the form of patronage capital credit. This patronage capital allocation is used for a period of time to help build infrastructure to serve the membership, and it is eventually returned to CVE members. Currently, CVE is on a 20 year rotation cycle before capital credits, for a given year, are retired and returned to members.

CVE owns and operates over 4,000 miles of distribution power line, 183 miles of 69 kilovolt (kV) and 115 kV transmission power line, and 30 substations serving 4,100 members with 15,600 meters. It may seem odd to have so many more meters in service than members, but co-op bylaws provide that each member may only have one membership. Ninety-one percent of CVE's sales are to commercial and industrial accounts, while only nine percent of sales are to residential accounts. A large portion of our sales are to oil and gas companies that may have thousands of meters, but yet they only have one membership.

CVE has 90 employees proudly working to operate the cooperative and serve the members of CVE. I believe that CVE is truly blessed to have a family of the finest employees standing ready to serve under any condition.

The year 2016 was not a stellar year for CVE, as the downturn in oil and gas prices caused energy sales to decrease by 7.7 percent from 2015. Total energy sales for 2016 were 766,630 megawatt-hours (MWh). The outlook for 2017 looks to be much better with oil and gas prices expected to increase to a level that supports increased production and development.

The total asset value of your cooperative for year-end 2016 was \$191,112,195, which was approximately \$10.4 million above year-end 2015. This was primarily a result of construction projects completed on the system to serve new load and equity paid to Western Farmers Electric Cooperative (WFEC), our generation and transmission cooperative. Operating revenues were \$63,879,979, which was \$3.9 million lower than 2015, which was primarily a result of decreased energy sales. Overall year-end 2016 margins for CVE were \$9,903,517, which was \$2,328,582 lower than 2015. Of the 2016 margins, \$1,693,880 represents equity payments made to WFEC pursuant to the transition agreement for membership. The equity payments made to WFEC are booked to the credit of CVE and are allocated to the members of CVE in the same manner as all other margins realized by the cooperative.

Currently, WFEC provides approximately 20 percent of CVE's wholesale power, and the remaining 80 percent is delivered by Southwestern Public Service Company



(SPS). On June 1, 2017, CVE will enter the second phase of our transition away from SPS. At that time WFEC will begin delivering approximately 40 percent of CVE's wholesale power. WFEC will deliver all of CVE's power by 2026, when the wholesale power contract with SPS is terminated.

Beginning in the mid-2000's, CVE participated for more than a decade as either a co-complainant or an intervenor 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, the members of CVE have realized lower wholesale power and transmission rates, as well as, lower fuel charges used to generate 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. CVE deferred all expenses and refunds associated with the FERC cases until they were all ultimately settled in late 2015. By order of the New Mexico Public Regulation Commission, issued October 2016, CVE began refunding the \$1,406,167 to our members in November 2016. The money will be refunded to CVE members over a 12 month period. CVE will make equal monthly installment payments to our Fuel and Purchased Power Cost Adjustment balancing account. By doing this it will reduce the Fuel Cost Adjustment charge to members on a per kilowatt-hour (kWh) purchased basis. All members will share in the fruits of our success, including seasonal members such as irrigation.

The board of trustees recently authorized the retirement of \$1,759,597 in patronage capital credits for the year 1997, and checks and/or bill credits were issued in February 2017. The retirement of capital credits is one of the many values associated with membership in CVE.

Over the past year, CVE completed a new substation and 115 kV transmission line in the Lusk area located south of Loco Hills which is on the far southeast side of the co-op's distribution system. This project will provide additional capacity to serve oil and gas loads. Numerous other system improvements were completed across the

system to improve system reliability and provide for additional capacity to serve members.

Over the past several years, CVE has installed Sensus Automated Metering Infrastructure (AMI) meters across the co-op's 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 identify tower locations to help resolve this communication issue in this area so we can implement the AMI system across CVE's entire distribution system. The AMI system allows CVE to remotely read meters and provide our members with access to their energy use information through the use of SmartHub. In 2017, CVE will further leverage our technologies to implement Outage Management Software (OMS). This software will allow us to integrate the AMI system with our digital geographical mapping system 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. Ideally, we will be able to identify an outage when it occurs and dispatch personnel to reduce outage time, in some cases even before receiving calls from members.

In closing, I would report that even with the decrease in energy sales, your cooperative is financially strong and positioned well to meet the needs of the members. CVE values the teamwork among our employees, the Board of Trustees and the members, and we cherish the cooperative model. As a member, you are part of something we consider to be very special and unique.



# BALANCE SHEET

as of December 31, 2016

## ASSETS

Total Utility Plant in Service	\$ 176,365,446
Construction Work in Progress	7,399,156
Less Accumulated Depreciation	<u>29,169,493</u>
<b>* Net Utility Plant in Service</b>	<b>\$ 154,595,109</b>
Invest. in Assoc. Org. Patronage Capital	1,268,067
Invest. in Assoc. Org. General Funds Other	16,812,339
Other Investments	<u>1,688</u>
<b>* Total Investments</b>	<b>\$ 18,082,094</b>
Cash-General Funds	7,623,235
Temporary Investments	1,679,159
Notes Receivable	95,742
Accounts Receivable-Sale of Energy	4,047,435
Accounts Receivable-Other	271,488
Materials and Supplies-Electric & Other	2,838,635
Prepayments	322,323
Other Current and Accrued Assets	<u>430,122</u>
<b>* Total Current and Accrued Assets</b>	<b>\$ 17,308,139</b>
Other Deferred Debits	1,126,852
<b>** Total Assets &amp; Other Debits</b>	<b>\$ <u>191,112,194</u></b>

## LIABILITIES

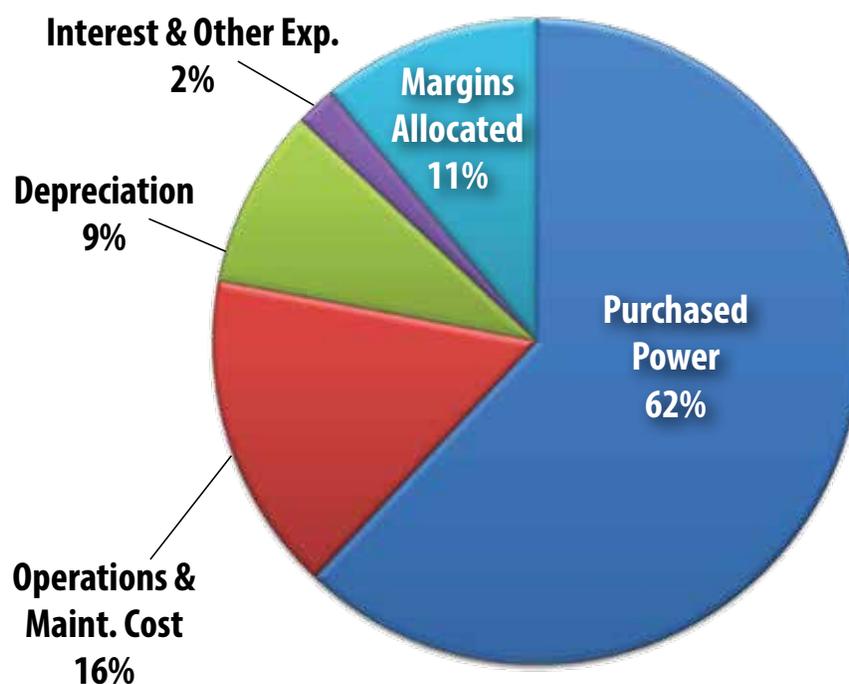
Patronage Capital	\$ 87,189,482
Operating Margins Prior Years	288,272
Operating Margins Current Year	7,752,406
Non-Operating Margins	19,169,458
Other Margins & Equities	<u>-61,276</u>
<b>* Total Margins &amp; Equities</b>	<b>\$ 114,338,342</b>
Long Term Debt - RUS	36,936,882
(Payments Unapplied \$8,215,129)	
Long Term Debt Other	<u>13,852,243</u>
<b>* Total Long Term Debt</b>	<b>\$ 50,789,125</b>
Accumulated Operating Provisions	<u>289,956</u>
<b>* Total Other Non-current Liabilities</b>	<b>\$ 289,956</b>
Accounts Payable	4,379,780
Consumers Deposits	181,091
Other Current & Accrued Liabilities	<u>2,158,575</u>
<b>* Total Current &amp; Accrued Liabilities</b>	<b>\$ 6,719,446</b>
Other Deferred Credits	18,975,325
<b>** Total Liabilities &amp; Other Credits</b>	<b>\$ <u>191,112,194</u></b>



# INCOME STATEMENT

OPERATING REVENUE		2014	2015	2016
Electric and Other Revenue	\$	71,481,560	\$ 67,780,423	\$ <b>63,879,979</b>
OPERATING EXPENSES				
Purchased Power	\$	47,567,346	\$ 42,008,266	\$ <b>39,529,377</b>
Operations & Maintenance		9,355,535	7,904,755	<b>10,455,209</b>
Depreciation		5,060,216	7,545,887	<b>5,485,466</b>
Interest		989,651	943,992	<b>986,667</b>
Other Deductions		85,760	30,180	<b>39,115</b>
TOTAL OPERATING EXPENSES		<b>\$63,058,508</b>	<b>\$58,433,080</b>	<b>\$56,495,834</b>
NET MARGINS		2014	2015	2016
Operating Margins	\$	8,423,052	\$ 9,347,343	\$ <b>7,384,145</b>
Non-Operating Margins		835,239	724,557	<b>825,492</b>
WFEC Equity		3,062,233	2,160,198	<b>1,693,879</b>
TOTAL NET MARGINS		<b>\$12,320,524</b>	<b>\$12,232,098</b>	<b>\$9,903,516</b>

Revenue dollars used to provide electric service in 2016.



## Donna Nailon Retires

On January 4, 2016, Donna Nailon retired from Central Valley Electric Cooperative. For over 16 years Nailon worked as a customer service representative assisting the co-op with bill collections.

When asked what has changed over the years, Nailon said, “We used to print and mail out every bill, past due notices and various other items, so we were constantly stuffing envelopes. About six years ago, CVE switched to a different computer software and now all the bills and different items are stuffed and mailed out somewhere else, and that has really freed up some of our time.”

Nailon stated she will miss the people the most. Not only the employees, but also the members who she regularly worked with.

Nailon has moved back to her hometown of Tohoka, Texas, where she is involved in different activities. She continues to do scrapbooking projects and gets to enjoy family and all their activities.

“I am thankful to God for providing a great place like CVE for me to work for so many wonderful years. I am truly blessed,” stated Nailon.



## Jean McKee Retires



On February 29, 2016, Jean McKee retired from Central Valley Electric Cooperative.

McKee began working at CVE in 1981, and for 34 years, she served as the executive secretary. In CVE’s history, there have been only eight general managers, and McKee had the privilege to work for four of them.

When asked what has changed over her years of service to the co-op, McKee said, “When I first started at CVE, I used a manual typewriter for contracts, right-of-ways, and general correspondence. Then things gradually started to be done on a computer.”

McKee said she will miss the people at CVE the most. She plans to stay busy with church activities, catching up on her reading, organizing her house, and possibly getting a part-time job. She also plans to do volunteer work and visit her family in Virginia and Texas.

**CVE would like to thank Donna Nailon and Jean McKee for their dedicated service to CVE and its members.**



## CVE Mourns the Loss of Employee

On August 1, 2016, Central Valley Electric Cooperative employee Nick Rodriguez passed away.

Rodriguez, or “Nacho” as he was called around the co-op, proudly served CVE and its members for over 40 years.

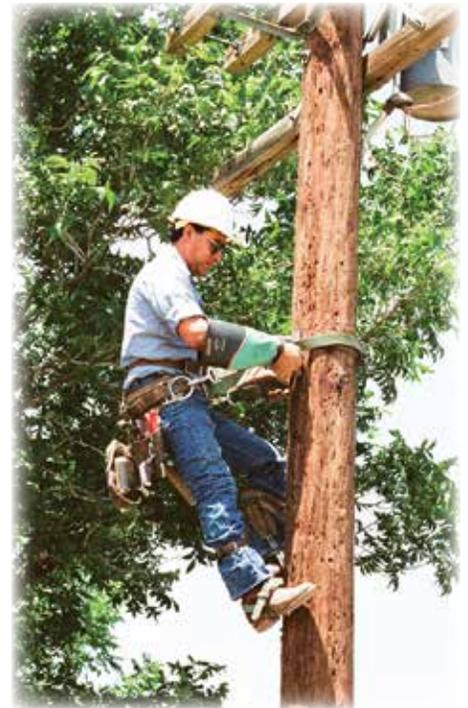
Nick was a great teacher to fellow employees. He encouraged them to always take the time and make sure the job was done correctly

and safely. Regardless if it was raining or snowing, freezing or 110 degrees outside, when duty called, Rodriguez never griped or complained, he just focused on the job at hand.

In his spare time, Rodriguez loved spending time in the mountains, fishing, camping and boating. He always had a joke to share and liked making people laugh. But most of all he was a loving father, grandfather, and dear friend to many.

Survivors include his son Nick and wife Tracy Rodriguez; daughter Tiffany and husband Michael Sherwood; girlfriend Teresa Brown; seven grandchildren; one brother and four sisters.

The CVE employees, management and board of trustees would like to express our heartfelt sympathy to the Rodriguez family. **Nick was truly loved by many and is greatly missed by all.**



## CO-OP EMPLOYEES

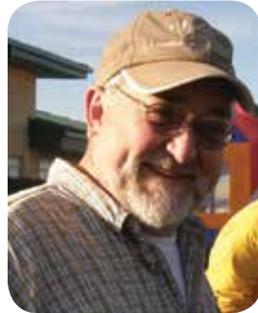
**H**ard work and dedication make up a winning team, and the employees of Central Valley Electric Cooperative are on the front lines every day because they know it's important that your power is there when you need it. Thank you for your years of service to the co-op and its members.



**Chalk  
DRAKE**

Automotive Mechanic

40 years



**Sammie  
BLOUNT**

Meter Technician

35 years



**Chuck  
PINSON**

General Manager

30 years



**George  
CHUMBLEY**

Equipment Operator

25 years



**Russ  
McKEE**

Manager of Operations  
Engineering

25 years



**Randy  
WHITE**

Meter Technician

25 years



**Chris  
GABALDON**

Journeyman/Lineman

20 years

*Thank You*

# THANK YOU FOR YOUR YEARS OF SERVICE



**Dee Ann  
BAER**

Dispatcher

10 years



**Raelynn  
BEAN**

Member Services Rep.

10 years



**Lee  
LAMONTINE**

Serviceman

10 years



**Roger  
RAMIREZ**

Automotive Mechanic

10 years



**Guy  
RAND**

Engineer Technician

10 years



**Lorenzo  
RINCON**

Journeyman/Lineman

10 years



**Beth  
SPENCER**

Executive Secretary

10 years



**Josh  
BARNETT**

Meter Technician

5 years



**Jerry  
COUPLAND**

Equipment Operator

5 years



**Jason  
GAZDIK**

IT Supervisor

5 years



**Hayden  
GOFF**

Journeyman/Lineman

5 years



**James  
SILVA**

Custodian

5 years

# CONCERN FOR COMMUNITY

Concern for community is one of the principle's that Central Valley Electric Cooperative follows. Not only is CVE owned by its members, but our members are our neighbors. We are all part of the same community.

CVE and its employees seek to lend a helping hand whenever possible, whether that means stopping to help someone who has a disabled vehicle through our Safe Haven program, picking up trash on our adopted highway mile, supporting various community events and local youth activities, delivering hot meals to people through the Meals On Wheels program, or hosting a fundraiser of our own to raise money for the American Cancer Society.

The co-op and its employees will continue to lend support to provide a helping hand to the community and to stay connected to our members.



CVE crews help erect four, 26 foot tall metal crosses located when you enter Artesia from Roswell and Carlsbad on Highway 285, and from Loco Hills and Hope on Highway 82.



CVE sponsored a hot air balloon as part of the Artesia Chamber of Commerce Balloons and Tunes Festival. The balloon was inflated at an area elementary school.



For the past several years, CVE has set-up a table at the annual Children's Safety Fair in Artesia.



Left: CVE employees and their families have breakfast before going to pick up trash; Center: Employee and his family volunteer their time; Right: Volunteers pose for a picture after picking up trash.

# HERE FOR YOU IN PERSON & ONLINE

Central Valley Electric Cooperative takes great pride in being here for our members, whether it's in person at our office, on the phone, or out in the community. We also want you to know we are here for you online as well. CVE has several tools to help members stay connected to their energy use and what's going on at their electric cooperative.

## SmartHub - More than just online bill pay!



SmartHub is CVE's innovative online tool for account management. With SmartHub not only can you pay your bill online, but you can also view your detailed electric use.

SmartHub has several features that makes managing your account as easy as possible. You can view your current bill, along with bills from the previous month or even the previous summer, if you want to compare costs. You will also be able to view your actual electric use, and you can see how much electricity you use monthly, daily, or even hourly. With this information you can take steps to reduce your consumption and lower your bill.

Access SmartHub by going to [www.CVECOOP.org](http://www.CVECOOP.org) and clicking on "Online Account Management," or by downloading the app on your mobile device through the App Store (iPhone or iPad) or Google Play Marketplace (Android phone or tablet).

## Find Us Online

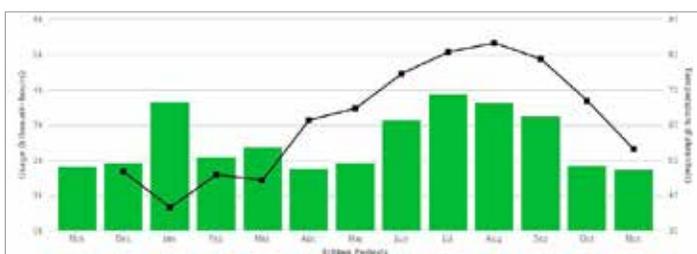
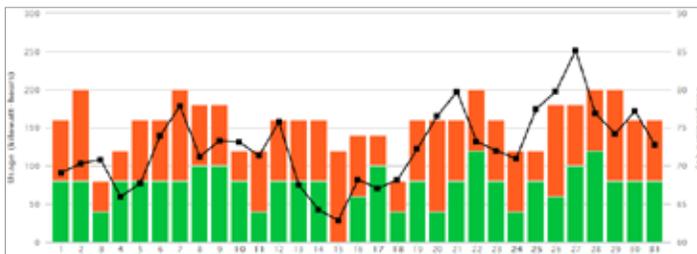
We want it to be as easy as possible for people to get information about Central Valley Electric Cooperative, and we use different ways to make that information available.

One way is through our website. If you go to [www.CVECOOP.org](http://www.CVECOOP.org) not only can you read about the history of the co-op, but you can also learn about all of the member programs and rebates available. It's a great way to see if there are any career opportunities at the co-op, it's also an easy way to access SmartHub, and much more.



In 2016, CVE ventured into the world of social media and created a **Facebook** page. Like us on Facebook and keep up-to-date with what is going

on at your electric cooperative. On Facebook we post information about member programs, co-op news and events, planned outages, community events and much more. Go to [www.facebook.com/CVECOOP](http://www.facebook.com/CVECOOP)



## With SmartHub you can:

- Access your account 24/7
- Get a detailed look at your past and current electric use all in one place.
- Compare two bills of electric use.
- Graph and see what your electric use is monthly, daily or even hourly.
- Save time and money by paying your bill online.

# PROGRAMS TO HELP YOU SAVE MONEY

Central Valley Electric Cooperative offers rebates and programs to help businesses, farms and homes save energy and money. For more detailed information and equipment qualifications on any of these programs contact Leah or Raelynn.

## WATER HEATERS

CVE members can buy Marathon Water Heaters for 60 percent off of the co-ops price. These water heaters have a lifetime warranty on the tank and are the toughest and strongest tank in the residential water heater industry.

## LIGHTING REBATES

Rebates of up to \$450 per kilo-watt saved are available for commercial and industrial members that replace lighting with new fixtures that are energy efficient. Rebates are also available for new construction.

## HEATING & COOLING REBATES

Heating and cooling consumes a lot of energy in a home. CVE offers rebates for the installation of energy efficient air source and ground source heat pumps.

## VARIABLE FREQUENCY DRIVE REBATES

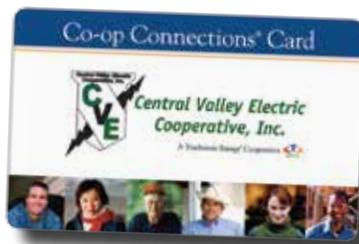
Rebates of up to \$100 per horsepower (up to 200 HP) are available to members who install variable frequency drives (VFD) to control end-use pump and motor equipment/systems.

## FREE HOME ENERGY AUDITS

Sign-up today for a free home energy audit. Energy experts will conduct a thorough energy audit to help identify where your home might be leaking air, and make reasonable efforts to correct problems.

## CO-OP CONNECTIONS CARD

CVE's Co-op Connections Card will help you save at hundreds of local and national retailers, on prescriptions at participating pharmacies, and much more. For a complete list of local and national deals and to find participating pharmacies go to [www.connections.coop](http://www.connections.coop).



Professional home energy auditor looks at results from the blower door test that measures the airtightness of a home.

## DID YOU KNOW?

**Every June, CVE sends high school students on an all-expense paid trip to Washington, D.C.?**



The Electric Cooperative Youth Tour gives high school students the opportunity to watch history come alive as they spend a week in Washington, D.C., exploring museums, memorials and monuments with students from around New Mexico and across America. Students on this all-expense paid trip learn about electric cooperatives, American history, U.S. government and come home with a greater understanding of their role as a citizen.

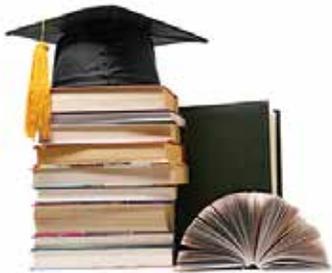


Dakota Avery (left) and Megan Johnson (right) at the United States Capitol.

In 2016, CVE was pleased to send Megan Johnson and Dakota Avery on this once in a lifetime trip.

For more information go to [www.CVECOOP.org](http://www.CVECOOP.org).

**CVE gives scholarships to students who want to further their education?**



College scholarships are available to CVE members and their dependents. Scholarship recipients can receive financial assistance for up to eight semesters of undergraduate studies.

In 2016, the Central Valley Electric Education Foundation awarded 71 students with scholarships, and paid over \$175,000 to area students to help further their education.

Scholarship applications for the 2017-2018 school year are due April 15. For more information and eligibility go to [www.CVECOOP.org](http://www.CVECOOP.org).

**CVE lets the public use its Community Room for meetings and events?**

CVE offers its 2,400 square foot Community Room for the community to use for business meetings, training sessions, community or civic activities, and non-profit planning meetings. The room can hold up to 364 chairs or 170 tables with chairs, and there are no fees to use this room.



To learn more about the rules and use of CVE's Community Room or to schedule your next event, call Leah or Raelynn at 575-746-3571.

**CVE offers free electrical safety demonstrations?**

**At CVE safety comes first!** That is why the co-op offers free, live electrical safety demonstrations. There are two versions available; one is a larger arcing display and the other is a smaller tabletop display. With both demonstrations you will learn electricity basics and the dangers of playing or working near electrical lines and poles.



CVE feels it is important for children and adults alike to know and remember the importance of being safe around the electrical system.



For more information or to schedule a free electrical safety demonstration call Leah or Raelynn at 575-746-3571.

**Central Valley Electric Cooperative, Inc.**

PO Box 230

Artesia, NM 88211-0230

(575) 746-3571 • [www.CVECOOP.org](http://www.CVECOOP.org)



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ROSWELL, NM  
PERMIT No. 204

# CENTRAL VALLEY ELECTRIC COOPERATIVE, INC.



# Annual Meeting

Saturday, March 18, 2017 • Estelle Yates High School Auditorium • 1:30 p.m.

## LUNCH

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

Artesia Park Jr. High

Cafeteria

1508 W. Cannon

Artesia, NM



## REGISTRATION

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

Estelle Yates High School

Auditorium

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

Artesia, NM

## GREAT DOOR PRIZES

## GREAT 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 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.