

2018 ANNUAL REPORT



Central Valley Electric
Cooperative, Inc.
www.CVECOOP.org





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 16, 2019**, 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:

- **Any reports covering the year 2018, 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: **Rusty Gwynne (incumbent)**
District 2 -Loco Hills: **Jason Ciempa (incumbent)**
District 5 -South of Roswell: **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 for the individual membership.

In witness whereof, this notice has been issued by the Secretary/
Treasurer of Central Valley Electric Cooperative, Inc., dated this 6th day of March, 2019.

Sincerely,

Wesley R. Pilley
Secretary/Treasurer

Co-op Facts

Date Incorporated

June 23, 1937

Date Energized

October 5, 1938

Years in Business

81

Number of Employees

90

Number of Members

4,224

Number of Meters

15,352

Number of Substations

30

Total Miles of Line:

Distribution: 4,061

Transmission: 175

Counties Served:

Eddy, Chaves, parts of Otero & Lea

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 16 de marzo del 2019**, a la 1:30 p.m., en el Auditorio de la Estelle Yates, localizado en la calle 215 S. 15th Street (Bulldog Blvd.), Artesia, NM.

Se tomará acción en los siguientes temas:

- Reportes que cubren el año 2018, incluyendo informes de la junta directiva.
- Elección de tres miembros a la Junta Directiva.

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

Distrito 1 -Artesia/Lakewood: **Rusty Gwynne** (candidato)
Distrito 2 -Loco Hills: **Jason Ciempa** (candidato)
Distrito 5 -South of Roswell: **Larry Benedict** (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 6 de marzo del 2019.

Sinceramente,

Wesley R. Pilley
Secretario/Tesorero

Esta institución es un proveedor de servicios con igualdad de oportunidades.





Executive Report

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

As the General Manager of Central Valley Electric Cooperative it is my duty and privilege to provide you with the executive report. This report summarizes the 2018 financial and operating positions of your cooperative.

In 2018, CVE filed new Rates, and new Rules and Regulations with the New Mexico Public Regulation Commission (NMPRC). The new rates went into effect on February 2, 2018. The intent of filing the rate case, which was based on the historical test year period of 2016, was to provide the co-op with an overall 3.5 percent revenue reduction or to reduce operating revenue and corresponding operating margins by \$2.3 million. The new tariffs filed with the NMPRC also changed billing on the basis of horsepower to kilowatts (kW) for all commercial rate classes, thereby removing ambiguity from the rate tariffs.

Using the designed and expected rate adjustment percentages by rate class, CVE budgeted for an operating margin of \$4.7 million in 2018. The 2018 budget assumed a 1.7 percent increase in energy sales across the system compared to 2017 energy sales, which was consistent with the Load Forecast Study. Total energy sales for 2018 were 850,706 megawatt-hours (MWh), which was an increase of 70,307 MWh or 9 percent above 2017 energy sales and 11 percent above 2016 energy sales (which was the historical test year used to design the new rates). CVE experienced an increase in energy sales across almost every rate class, and especially in the Large Commercial Service and the Large Commercial Service greater than 1,000 kW. The operating margins in 2018 were \$1.9 million. Based on our budget, CVE expected an operating margin of \$4.7 million, which was \$2.8 million higher than the actual operating margin realized. The lower than expected operating margin indicates that the rates designed by our consultants are not performing as expected. It is my belief that the deficiency occurred primarily in the Large Commercial Service and the Large Commercial Service greater than 1,000 kW rate classes. The rates designed for these two rate classes were intended to reduce their revenue by 5.7 percent. In 2019, CVE intends to conduct a Cost of Service Study using a test year which covers the period that the new rates have been in effect. This study is intended to allocate the value of our electrical plant system and expenses to the various rate classes and then determine the rate of return for each rate class. After the study is finished, CVE will have a clearer picture of the actual rates of return for each rate class and can react accordingly. Even with the lower than expected operating margins, Central Valley Electric Cooperative remains financially stable.

Operating revenues in 2018 were \$64,586,533.43, which was \$3.3 million lower than in 2017. This was caused by reduced revenue from the new rates that took effect in 2018. The Total Asset value of your electric cooperative for year-end 2018 was \$211,236,655, which was a reduction of \$4,135,982 as compared to year-end 2017. The reduced asset value was primarily a result of paying two years of patronage capital credits back to members in 2018, as well as reductions in long-term debt. The overall year-end 2018 margins for CVE was \$2,982,074, which were \$6,050,772 lower than 2017. Of the 2018 margins, \$365,531 represented equity payments to Western Farmers Electric Cooperative (WFEC) pursuant to the transition agreement for membership. CVE became a member of WFEC, which is a generation and transmission cooperative headquartered in Anadarko, Oklahoma. CVE has assigned our wholesale power contract with Southwestern Public Service Company (SPS) to WFEC, although the wholesale power from SPS is still delivered to the account of CVE. Currently, about 70 percent of CVE's wholesale power is provided by SPS and the remaining 30 percent is provided by WFEC. Based on an analysis provided by the Cooperative Finance Corporations for 2017, CVE had the lowest wholesale power cost for an electric cooperative

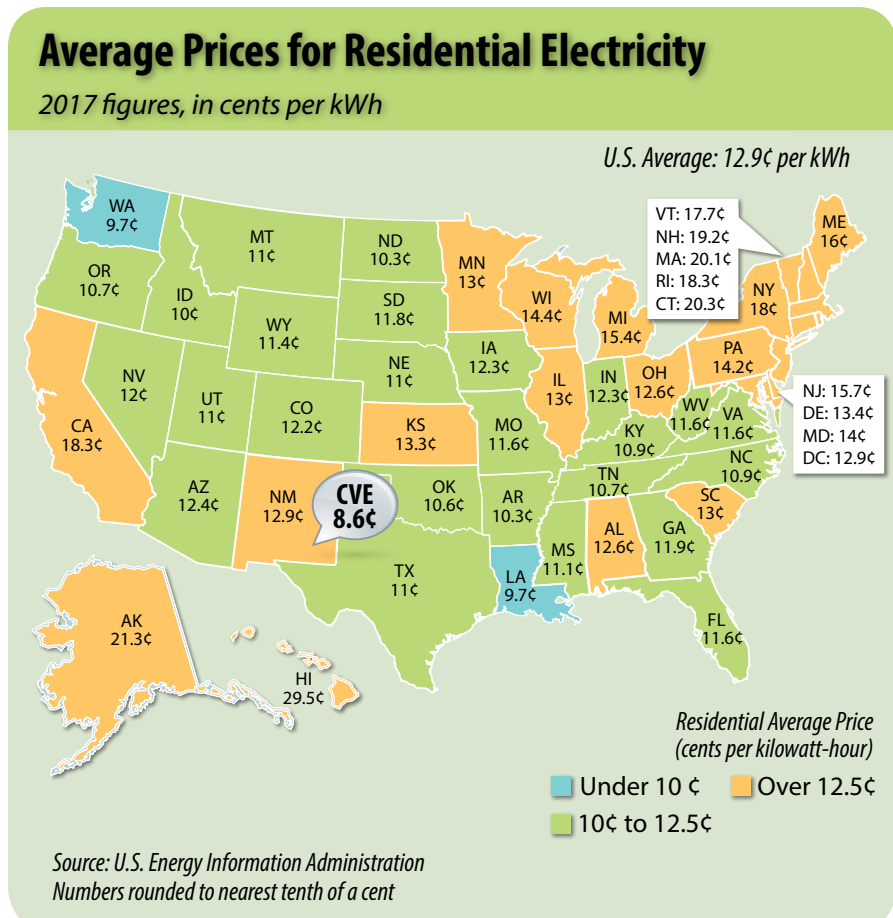


in New Mexico, and was in the lowest 15 percent of electric cooperatives across the United States. CVE is very fortunate to have low-cost wholesale power that is passed on to the benefit of our members.

The Board of Trustees recently authorized the retirement of \$2,767,767 in capital credits for the year 2000, and checks or bill credits were issued in February 2019. The retirement of capital credits is one of the many values associated with membership of Central Valley Electric Cooperative.

Over the past few years, CVE has installed Sensus Automated Metering Infrastructure (AMI) meters across the co-op's service area, and these AMI meters have been coupled with Outage Management Software (OMS). The OMS allows the co-op to integrate the AMI system with our digital geographical mapping system to monitor the distribution system in real-time. CVE Servicemen are equipped with iPads which allows them to use the mapping system and OMS to navigate the system and respond to outages in a timely manner. CVE has also placed a link on our website of a map that allows members to see if an outage is occurring within their area. Members can also sign-up to receive outage alerts through text message and/or an email.

On behalf of the Board of Trustees, management and employees of Central Valley Electric Cooperative, I commit to you that we will continue to protect the interests of the membership. We appreciate your loyalty, dedication and commitment to our Cooperative. Together we will rise to meet the challenges of the future and continue to strengthen your cooperative.





Board of Trustees



President

Chuck Wagner

District 6
North of Roswell



Vice President

Michael Bennett

District 7
Hope



Secretary/Treasurer

Wesley Pilley

District 4
Dexter/Hagerman



Rusty Gwynne

District 1
Artesia/Lakewood



Jason Ciempa

District 2
Loco Hills



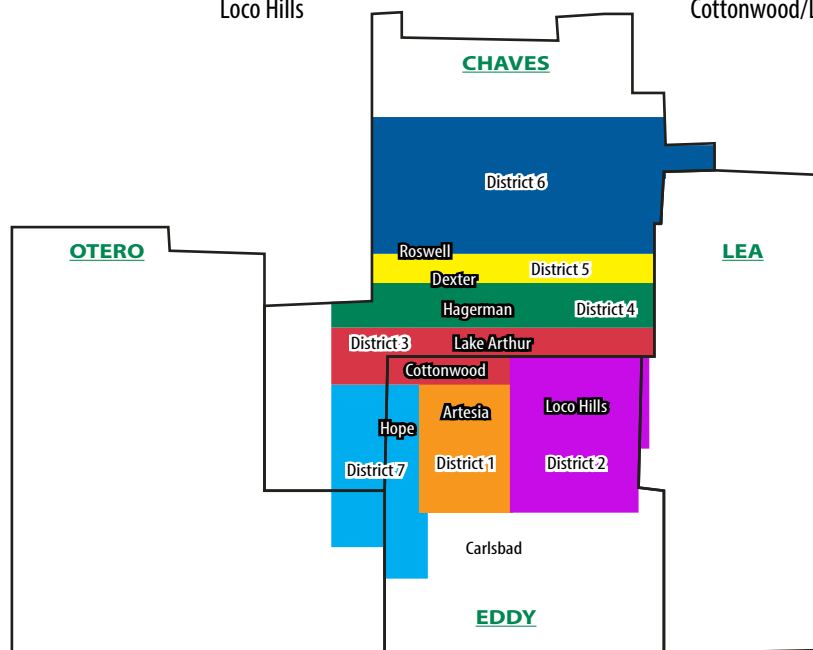
Steve Spence

District 3
Cottonwood/Lake Arthur



Larry Benedict

District 5
South of Roswell





Thank You for your Service

Don Reynolds Retires

After more than 44 years, Don Reynolds hung up his hard hat and retired from Central Valley Electric Cooperative.



At the age of 19, Reynolds began his career at CVE in the staking department. Over the next 30 plus years he worked on the construction crew, as a serviceman in the oilfield and as a substation technician. For the last 10 years, Reynolds was a bucket truck operator and crew foreman.

“The true success of this co-op is its employees,” stated Chuck Pinson, CVE General Manager. “Don has definitely left his mark on CVE and was a great leader and teacher.”

For Reynolds, it didn’t feel like over 40 years with the same company, and he will miss the people and camaraderie with his co-workers. “I will also miss the work,” said Reynolds. “I enjoyed what I did and CVE has always been a good place to work.”



In retirement Reynolds plans to go hunting, fishing and travel with his wife Jeannie.

CVE would like to thank Don Reynolds for his many years of dedicated service to the co-op and its members.



In Memoriam



Jack Case, who served on the Central Valley Electric Board of Trustees for 39 years, passed away April 21, 2018, in Artesia at the age of 91.

Case was first elected to the board in May 1977 to represent District 2, the Loco Hills area, and he served that district for ten years before moving west of Artesia. In October 1988, Case was appointed to the board to represent District 1, the Artesia/Lakewood area where he served for 29 years until he resigned from the board in April 2017. Case served as the board President from 1998 to 2004.

Case and his wife Doris moved to Southeastern New Mexico from Oklahoma in 1949. This was after he played third base for a Chicago Cubs minor league team in Seminole, OK. Baseball was always a part of his life, whether it was playing baseball at Fort Hood while he was in the Army, or playing on the REA (Rural Electrification Administration) team. Case was a World War II veteran and bravely served his country in Okinawa, Japan. After moving to New Mexico, Case made a career in the oil and gas industry.

Survivors include his wife Doris; daughter Debbie Guy; four grandchildren; and 6 great grandchildren.

CVE offers our deepest condolences to Doris and the entire family. Jack is greatly missed.





Balance Sheet

as of December 31, 2018

Assets

Total Utility Plant in Service	\$ 188,993,735
Construction Work in Progress	5,067,124
Less Accumulated Depreciation	<u>31,796,520</u>
* Net Utility Plant in Service	\$ 162,264,339
Invest. in Assoc. Org. Patronage Capital	1,436,366
Invest. in Assoc. Org. General Funds	18,715,928
Other Investments	<u>1,688</u>
* Total Investments	\$ 20,153,982
Cash-General Funds	5,818,879
Temporary Investments	15,039,233
Notes Receivable	99,290
Accounts Receivable-Sale of Energy	2,944,081
Accounts Receivable-Other	73,500
Materials and Supplies-Electric & Other	2,997,193
Prepayments	302,383
Other Current and Accrued Assets	<u>0</u>
* Total Current and Accrued Assets	\$ 27,274,559
* Other Deferred Debits	\$ 1,543,774
** Total Assets & Other Debits	\$ <u>211,236,654</u>

Liabilities

Patronage Capital	\$ 98,233,035
Operating Margins Prior Years	288,272
Operating Margins Current Year	2,158,307
Non-Operating Margins	19,135,234
Other Margins & Equities	<u>-5,667</u>
* Total Margins & Equities	\$ 119,809,181
Long Term Debt - RUS	\$ 61,411,437
RUS Payments Unapplied	-7,260,014
Long Term Debt Other	<u>11,756,999</u>
* Total Long Term Debt	\$ 65,908,422
Accumulated Operating Provisions	<u>221,272</u>
* Total Other Non-current Liabilities	\$ 221,272
Accounts Payable	3,507,247
Consumers Deposits	185,900
Other Current & Accrued Liabilities	<u>3,145,335</u>
* Total Current & Accrued Liabilities	\$ 6,838,482
* Other Deferred Credits	\$ 18,459,297
** Total Liabilities & Other Credits	\$ <u>211,236,654</u>



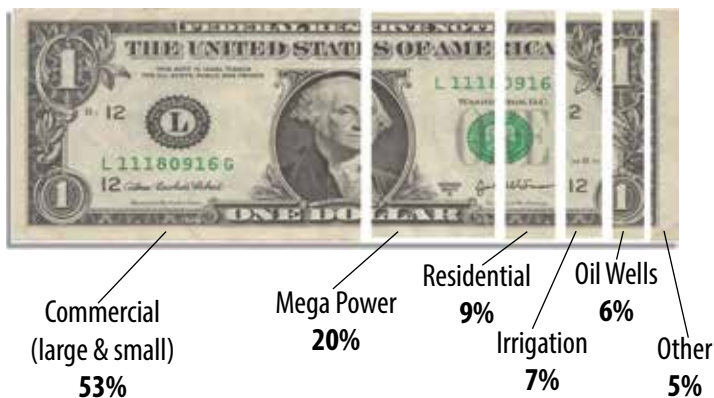


Income Statement

Operating Revenue	2016	2017	2018
Electric and Other Revenue	\$63,879,979	\$67,879,639	\$64,586,533
Operating Expenses			
Purchased Power	\$39,529,377	\$42,709,016	\$43,492,399
Operations & Maintenance	\$10,455,209	\$11,053,736	\$11,331,111
Depreciation	\$5,485,466	\$5,871,986	\$5,934,584
Interest	\$986,667	\$1,484,938	\$1,860,281
Other Deductions	\$39,115	\$33,773	\$66,061
Total Operating Expenses	\$56,495,834	\$61,153,449	\$62,684,436
Net Margins			
Operating Margins	\$7,384,145	\$6,726,190	\$1,902,097
Non-Operating Margins	\$825,492	\$1,058,480	\$714,446
WFEC Equity	\$1,693,879	\$1,248,176	\$365,531
Total Net Margins	\$9,903,516	\$9,032,846	\$2,982,074

Your Dollar at Work in 2018

How your dollar was earned.



How your dollar was used.



How your dollar was used.



Employee Recognition

Hard 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 to the following employees for your many years of service to the co-op and its members.



Gary Conklin
Line Superintendent
40 years



Mike Anderson
Manager of Finance & Admin.
35 years



Randy Dodgin
Working Foreman - Roswell
35 years



Andy Davis
Working Foreman
25 years



Wade Nelson
Manager of Distribution Eng.
20 years



Glenda Gideon
Accountant
20 years



Marcos Martinez
Substation Technician
15 years



Della Foster
Accounting Assistant
15 years



Brad Pollard
Safety Coordinator
15 years



Sylvia Gomez
Customer Service Representative
10 years



Paul Rogers
Engineering Aid
10 years



Eliseo Aguilar
Serviceman
10 years



Gabriel Rodriguez
Serviceman
10 years



Lance Velasquez
Serviceman
10 years



Luke Davis
Serviceman
10 years



Mario Grado
One Call Operator
5 years



Rubi Gonzalez
Accountant
5 years



Youth Programs



Youth Tour Experience

For a week in June, Central Valley Electric Cooperative along with co-sponsor Navajo Refinery and Holly Energy Partners sent five area students to Washington, D.C., for the Government-In-Action Youth Tour.

The students started their tour in Santa Fe, where they toured the State Capital and met with Governor Susana Martinez. While in Washington, D.C., they got to tour some of our nations historic monuments and museums, meet with elected officials, learn about electric cooperatives, and much much more.

The week in D.C. kicked off with Youth Day, sponsored by the National Rural Electric Cooperative Association, and featured guest speaker Olympian Mike Schleppe, who spoke to the students about being a leader. Schleppe left them with this advice, "If you can't stand up, stand out."

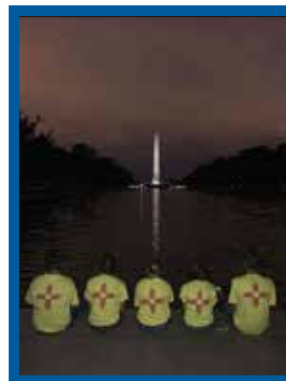
For more information on this once in a lifetime trip visit www.CVECOOP.org. Follow the NM Youth Tour on Facebook (www.facebook.com/NMYouthTour) for highlights of this years tour.



Pictured are CVE's Youth Tour representatives for 2018 and chaperon. They are, from left to right: CVE Member Services Supervisor and trip chaperon, Leah Boone, Timothy Fuller, Haylee Sant, Shelby Freeland, Denver Williams and Christina Bejarano



The 2018 Youth Tour brought more than 1,500 teenagers to Washington, D.C. The New Mexico group is pictured in front of the U.S. Capital building.





Community Involvement

Concern for Community

Concern for community is just one of the 7 Co-op Principles that Central Valley Electric Cooperative recognizes. CVE cares about the community because it's our community too. Our employees live and work in the communities we serve, just like you.

2018 Community Involvement:

- **Free Electrical Safety Demonstrations**
CVE provided 20 electrical safety demonstrations to area elementary schools teaching over 1,300 students about electrical safety. We also conducted 16 High Voltage Arcing demonstrations to various businesses, groups and first responders.
- **College Scholarships**
CVE awarded 134 scholarships to area students wanting to pursue a higher education.
- **Government-In-Action Youth Tour**
CVE, along with Navajo Refinery and Holly Energy Partners sent 5 area students on an all-expense paid trip to Washington, D.C., to learn more about our great nation and electric cooperatives.
- **Adopted Highway Mile**
Twice a year CVE's employees and their families help make their community more beautiful by volunteering to pick up litter along our adopted mile of highway.
- **Meals on Wheels**
In 2018, CVE employees volunteered to deliver hot meals to people in our community through the Meals on Wheels program.
- **Summer Lunch Program**
Also, in 2018, CVE participated in the Changing Lives Coalition's Summer Lunch Program and helped serve free hot lunches to kids in the community.
- **Community Events**
CVE participated in various events and fairs throughout our service area.
- **Sponsored area athletic teams and various youth organizations and activities**
- **Safe Haven Program**
- **And much more**

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.





Energy Efficiency Programs & Rebates

Energy efficiency is using less energy to provide the same service. Energy efficiency is not energy conservation. Energy conservation is reducing or going without a service to save energy. For example: turning off a light is energy conservation; replacing an incandescent light bulb with an LED bulb (which uses much less energy to provide the same amount of light) is energy efficiency.

Energy efficiency can help Central Valley Electric Cooperative lower wholesale power demands, thereby reducing the need for additional power generation. CVE is always looking for ways to help you save energy and money, and we offer various programs and rebates designed to help you do just that.

Commercial & Industrial Members

**LIGHTING
REBATES
AVAILABLE**



for upgrading existing lighting or installing new energy efficient lighting

CVE Members

**HEATING & COOLING
REBATES AVAILABLE**

rebates are available for qualified Air Source Heat Pumps and Ground Source Heat Pumps (geothermal)

Commercial & Irrigation Members

**VFD
REBATES
AVAILABLE**



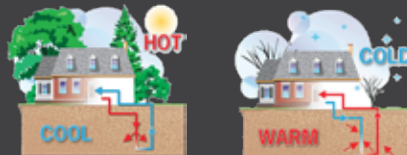
get \$100 per HP up to 200 HP on qualified installations

CVE Members



**FREE
HOME ENERGY
AUDITS**

find out how well your home is sealed against outside air



Geothermal uses the constant temperature of the ground to heat and cool your home.

CVE Members

**NM ENERGY SMART
PROGRAM**

Low Income Weatherization Program administered by the Mortgage Finance Authority



Air Source Heat Pumps use outside air temperatures to heat and cool

CVE Members

**MARATHON
WATER
HEATERS**

purchase at a discounted price

CVE Members

**DISCOUNTED
AIR FILTERS**



www.FilterChange.coop

a dirty air filter can cause your HVAC system to work less efficiently

For more information on all these programs visit our website or give us a call.

www.CVECOOP.org • 575-746-3571



Something to Serve you Better

Ways you can manage your electric account

Your Electric Meter

Central Valley Electric Cooperative uses Automated Metering Infrastructure (AMI) meters. These meters are read remotely from our office every day. AMI meters only register the amount of energy you use, not how you use energy, nor will it allow CVE to control any aspect of your energy use.

- Remote meter reading and remote reconnects & disconnects mean co-op employees will spend less time on the road.
- Information coming from the AMI meters will allow CVE to monitor the system in near real-time and correct problems and inefficiencies more quickly.
- With more detailed information we can improve power quality, provide more accurate information, and respond faster to outages.

Monitor Your Electric Use

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

- Access your account from anywhere, 24/7
- Compare past & current electric usage
- Graph & see how much energy you use monthly, daily, or even hourly
- Sign-up for paperless billing
- Set-up reoccurring payments so your payment is never late
- Access SmartHub from your computer, tablet or smartphone

Go to www.CVECOOP.org to get started.

Sign-Up for Outage Alerts

Power outages occur for many reasons; bad weather, vehicle accidents, or planned system maintenance to name a few. When there is a power outage, we know how important it is for you to have the most up-to-date information available.

With AMI meters and Outage Management Software working together, CVE can help keep you informed in the event of a power outage affecting your area. You can sign-up to receive a text message and/or email message to notify you of a power outage and again when power is restored.

To sign-up for Outage Alerts please visit our website for instructions or give us a call.



Central Valley Electric Cooperative, Inc.

PO Box 230

Artesia, NM 88211-0230

(575) 746-3571 • www.CVECOOP.org



A Touchstone Energy® Cooperative 

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PERMIT No. 324

**Please join us
Saturday, March 16**

**ANNUAL
MEETING
03.16.19**

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 Auditorium
215 S. 15th St. (Bulldog Blvd.)
Artesia, NM

**Great Giveaways
Great Door Prizes
Entertainment by the
Joel Gothard Band**

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.