Investing in our Future

Under Construction - Future Buffalo Office
The Annual Meeting of the Members of Northwestern Electric Cooperative, Inc. will be held at the Woodward County Event Center (Woodward County Fair Building) in Woodward, Okla. at 6:30 in the evening on Thursday, April 7, 2016 for the purpose of passing on reports for the previous fiscal year, and transacting such other business as may come before such meeting.

Dated this 23rd day of March, 2016.

John Bruce, Jr., Secretary

Your official annual meeting notice card is mailed separately and should arrive in a few days. Please bring the card with you to the meeting. It is your official registration form. Registration may be made the day of the meeting; however, you will save time in the registration line if you bring the card with you.

NOTICE TO BUSINESSES, ORGANIZATIONS, AND CORPORATIONS

Dear Member:

Please be advised that we cordially invite your organization’s representative attendance at the Annual Meeting of Northwestern Electric Cooperative, Inc. on the 7th day of April 2016. It is necessary that a delegate be designated by your organization as a voting representative. This written authorization must be received in our Cooperative’s office by April 6, 2016 or be delivered to our receptionist during registration at the Annual Meeting and must be signed by the proper officer of your organization, designating that person as your delegate.

John Bruce, Jr., Secretary

This authorizes ____________________________________________ as our voting delegate at the 2016 Annual Meeting of Northwestern Electric Cooperative, Inc.

Signed ________________________________ (PRINT NAME) ____________________________ (SIGNATURE)

Organization _____________________________________________________________ (PLEASE PRINT)

STATEMENT OF NONDISCRIMINATION

NWEC is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call 866.632.9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax 202.690.7442 or email at program.intake@usda.gov.
There’s an old saying “When the going gets tough, the tough get going”. We could use this phrase to describe the four major events Northwestern Electric Cooperative experienced, and survived, in 2015. Although these events caused significant damage to our distribution system, the Cooperative’s financial health remained strong and we are able to invest in our future by moving forward with some exciting projects.

The first major event was the fire in Woodward County last March. We lost 69 poles. Our linemen will tell you working outages due to fires is pretty miserable.

The last three events all happened within 30 days of each other at the end of the year. We lost over 130 poles on Nov. 16 from a tornado that started north of Shattuck and went to Selman. The linemen had barely recovered from the tornado outages when the ice storms hit. The first storm lasted from Nov. 26 through Dec. 2. We lost 81 poles, some cross arms and equipment, and replaced several thousand feet of wire.

In the next ice storm on Dec. 26, we lost 55 poles, more cross arms and replaced over 16,000 feet of wire. In order to restore service during major storms, we’ll often request help from other utilities and cooperatives. We used approximately 60 linemen for each storm. Some of the linemen came from Texas, New Mexico and Tri-County Electric Cooperative in Guymon.

Even though some of the outages lasted for several days, we felt very fortunate because the damages to our system were much lower than some of our neighbors to the south. A few of those cooperatives lost as many as 2,500 poles.

These linemen work in some bitter weather conditions and often for really long hours without much rest. We know you appreciate the work they do, but we want to thank you for being patient and understanding during these times.

We are always learning from these events. One of the projects we will start this year is a new meter program. We will begin installing new meters that will enable us to receive reads every 15 seconds. These faster reads will allow us to see when your meter is not reporting and will help tremendously with the outage response time.

Our second project is installing vehicle tracking in our trucks. Vehicle tracking will enable us to manage the crews more efficiently and help us maneuver the crews during large outages. It will also provide a layer of safety for the linemen, as many times they are working alone or in two man crews.

The third project is a 125 kW community solar farm NWEC is installing directly behind our headquarters. This will provide our members a simple and affordable option for renewable energy. Our members will have the option to purchase one or more panels, each sharing the benefits without having to install or maintain solar panels on their roof or property. Members will receive a credit on their bill for the energy produced by the solar panels. Community solar benefits all of our members because it reduces peak demand power costs from WFEC. We anticipate the solar array will be completed in the first quarter of 2017.

The fourth project is our new office and warehouse expansion in Buffalo. Northwestern Electric acquired the town of Buffalo and the surrounding area in 1943 from Panhandle Public Service Company. In 1959, we purchased the old creamery building and converted it into the district office headquarters. The facility has served the members in the Buffalo area for over 55 years. The current facility has roof leaks, the electrical system is not up to code, only partial heat and air, isn’t ADA compliant and there’s not enough space to accommodate the 10 employees stationed in Buffalo. When we factored in the Cooperative’s growth with the deteriorating conditions of the building and unprecedented low interest rates, your board decided to move forward with this project. The building should be completed before the end of the year.

The last item I want to discuss is capital credits. As a member-owned cooperative, NWEC operates as a not-for-profit utility. Any profits made by the Cooperative are referred to as margins. At the end of the year, the margins (profits) are allocated to each member in proportion to the amount of electricity they purchased. We have been allocating credits since 1940 and have returned more than 11.5 million dollars to our members. This year, NWEC will pay the 1996 margins back to our members. For the first time ever, our wholesale power supplier retired capital credits. We received $811,000 from WFEC for capital credits from 1956-1975. We will attempt to pay those margins to our members as well. If you were on our lines from 1956-1975 or in 1996, you should see a credit on your April bill.

As you can see, there is a lot going on at your cooperative. Once again, I want to thank you for supporting Northwestern Electric.
WHERE THE MONEY COMES FROM

- Residential & Farm: 40%
- Commercial Sales: 37.9%
- Large Power Sales: 20.4%
- Other Sales: 0.5%
- Other Electric Revenue: 1.2%

WHERE THE MONEY GOES

- Purchased Power: 61.1%
- Operating & Maintenance: 12.8%
- Interest & Other: 5.4%
- Taxes: 2.3%
- Depreciation: 8.7%
- Administrative: 6.5%
- Consumer Accounts: 3.2%

COMPARATIVE STATISTICS

- Cost of Purchased Power
- Operating Margins
- Growth in Meters
- Kilowatt Hours Sold
For the Years Ending December 31, 2014 and 2015

Operating Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Electric Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Purchased Power</td>
<td>23,878,153</td>
<td>19,626,816</td>
</tr>
<tr>
<td>Distribution Expense</td>
<td>3,737,538</td>
<td>4,112,278</td>
</tr>
<tr>
<td>Consumer Accounts Expense</td>
<td>1,143,746</td>
<td>1,017,585</td>
</tr>
<tr>
<td>Administrative and General Expense</td>
<td>1,838,440</td>
<td>2,087,492</td>
</tr>
<tr>
<td>Total Operating Expense</td>
<td>$30,597,877</td>
<td>$26,844,171</td>
</tr>
</tbody>
</table>

| Depreciation                      | 2,776,827  | 2,790,037  |
| Tax Expense - Gross Receipts & Franchise Tax | 835,611    | 754,688    |
| Interest Expense                  | 1,716,670  | 1,739,305  |

Total Cost of Electric Service

| Operating Margins                 | 950,700    | 653,045    |
| Non-Operating Margins - Interest  | 111,218    | 95,547     |
| Income (Loss) from Equity Investments | 0         | 0          |
| Non-Operating Margins             | 30,223     | 27,214     |
| Patronage Allocations             | 2,039,866  | 1,452,318  |

Patronage Capital or Margins

| $3,132,007            | $2,228,124 |

BALANCE SHEET

DECEMBER 31, 2015

ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Plant</td>
<td>85,359,773</td>
<td>85,359,773</td>
</tr>
<tr>
<td>Less Accumulated Depreciation</td>
<td>26,615,876</td>
<td>26,615,876</td>
</tr>
<tr>
<td>Net Utility Plant</td>
<td>58,743,897</td>
<td>58,743,897</td>
</tr>
<tr>
<td>Other Property &amp; Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in Associated Organizations</td>
<td>13,413,327</td>
<td>13,413,327</td>
</tr>
<tr>
<td>Other Investments</td>
<td>63,196</td>
<td>63,196</td>
</tr>
<tr>
<td>Total Other Property &amp; Investments</td>
<td>13,476,523</td>
<td>13,476,523</td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Temporary Investments</td>
<td>2,769,141</td>
<td>2,769,141</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>2,219,895</td>
<td>2,219,895</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>1,106,248</td>
<td>1,106,248</td>
</tr>
<tr>
<td>Pre-Payments</td>
<td>116,060</td>
<td>116,060</td>
</tr>
<tr>
<td>Other Current and Accrued Assets</td>
<td>805,041</td>
<td>805,041</td>
</tr>
<tr>
<td>Total Current &amp; Accrued Assets</td>
<td>7,016,385</td>
<td>7,016,385</td>
</tr>
<tr>
<td>Deferred Charges</td>
<td>1,566,979</td>
<td>1,566,979</td>
</tr>
<tr>
<td>Total Assets</td>
<td>80,803,784</td>
<td>80,803,784</td>
</tr>
</tbody>
</table>

LIABILITIES

| Ownership & Liabilities                  |            |            |
| Equities and Margins                     | 4,789,049  | 4,789,049  |
| Memberships                              | 0          | 0          |
| Patronage Capital                        | 24,736,542 | 24,736,542 |
| Total Margins & Equities                 | 29,525,591 | 29,525,591 |
| Liabilities                              |            |            |
| Long-Term Debt, RUS & CFC                | 47,010,342 | 47,010,342 |
| Notes Payable to Associated Organizations| 0          | 0          |
| Accounts Payable                         | 2,290,259  | 2,290,259  |
| Consumer Deposits                        | 73,275     | 73,275     |
| Current Maturities Long-Term Debt        | 1,570,245  | 1,570,245  |
| Other Current and Accrued Liabilities    | 287,148    | 287,148    |
| Total Current & Accrued Liabilities      | 4,220,927  | 4,220,927  |

Financial reports are reviewed annually by an independent auditing firm.
Northwestern Electric Cooperative (NWEC) belongs to you and the other members who receive electric service from us. Your ownership interest in NWEC is known as capital credits.

At the end of each year, if there are excess margins (profit) after financial obligations have been met, they are allocated to the members as capital credits based upon their payments for electricity during that year.

When NWEC’s financial condition permits, your board of directors vote to pay out capital credits. This year, we will be issuing $602,000 to members who had capital credits allocated for electric service in 1996.

For the first time ever, Western Farmers Electric Cooperative (WFEC), our wholesale power supplier cooperative, paid capital credits to NWEC. This $811,000 will be paid back to our members who had electric service from 1956 to 1975.

Active members will receive a credit on their April bill, unless the amount is over $600, then a check will be mailed. Inactive members will receive a check in the mail if their amount is over $10 or it is their final capital credit check.

Some checks go unclaimed due to addresses that are not current for former members. If you know someone who has moved, please ask them to update their address with us. Forms may be obtained from our website at www.nwecok.coop or by emailing us at cc@nwecok.org.

**ANNUAL MEETING EVENTS**

- **Grand Prize**
  Bring your registration card to the meeting. Place the card in the drawing box for your chance to win the grand prize, a Kubota RTV 400 sponsored in part by Arnett New Holland/Kubota. In order to qualify for the drawing, the member must be present. In the case of a company or organization, the Businesses, Organizations and Corporations Notice must be presented at the registration desk.

- **Registration Gifts**
  Members attending the meeting will receive a roll up fleece blanket sporting NWEC’s logo (one per membership please).

- **Entertainment**
  The A Bar Bunkhouse Band is providing live entertainment before the meeting from 5 to 6:30 p.m. This western swing band will make you want to get up and dance with their lively vocals, fiddle, guitar and slap bass.

- **Kids Drawing**
  A separate drawing for a variety of prizes will be held for children attending the meeting.
EMPLOYEE SERVICE AS OF APRIL 7, 2016

Dwayne Halderman ... 41 years  
John Kirkwood......... 28 years  
Jonna Hensley ......... 26 years  
Larry Stebens .......... 25 years  
Robert Bohling ........ 24 years  
Rhonda McMakin ...... 24 years  
Donna (Dee) Rader .... 24 years  
Donnie Irvin .......... 23 years  
Shayne Hamilton ....... 20 years  
Ronda Cook ............ 19 years  
Brent McDowell ....... 19 years  
Cyndi Giacomo ....... 17 years  
Sheri Hayes .......... 17 years  
Stacie Wilson .......... 17 years  
Julie Coulter .......... 16 years  
Jerry Maedgen .......... 16 years  
Melissa Washmon ....... 16 years  
Michael Boston ........ 14 years  
David Leach ........... 14 years  
Tyson Littau .......... 14 years  
Clint LeForce .......... 11 years  
Lee Overton .......... 11 years  
Tyrel Stahlman ....... 11 years  
Curt Cloyd .......... 8 years  
Jaret Dowler ......... 8 years  
Amy Mata .......... 8 years  
Chris McGraw .......... 8 years  
Jamie Ruble .......... 8 years  
Trevor Howard ....... 7 years  
Jacob Collier ......... 5 years  
D. J. Touchstone ....... 5 years  
Gage Heath .......... 4 years  
Jackie McIlvain ....... 4 years  
Tra Dunham .......... 3 years  
Adam Parker ........ 3 years  
Charley Kintz ...... 2 years  
Vidal Moreno ...... 2 years  
Michael Schrant ...... 2 years  
Wendy Zapata ...... 2 years  
Kaylie Cole ........ 1 year  
Reagan Dezort ...... 1 year  
Sheldon Hart ...... 1 year  
Tanner Loomis ..... 1 year  
Travis Wineinger .... 1 year  
Mario Alvarado ...... <1 year  
Brogan Goodwin ..... <1 year  
Arlan Penrice ...... <1 year  
T. J. Province ...... <1 year  
Tony Ramirez ....... <1 year  
Tecia Spray .......... <1 year  
Jordan Weber ...... <1 year

BOARD OF TRUSTEES AND CEO

Kenny Knowles  
President

Ray Smith  
Vice President

John Bruce, Jr.  
Secretary/Treasurer

Clair Craighead  
Trustee

Duane Henderson  
Trustee

Wayne Hall  
Trustee

Lee Huckaby  
Trustee

Marvin Wilkinson  
Trustee

Gil Perkins  
Trustee

Tyson Littau  
CEO

Mike Mitchel  
Legal Counsel  
to the Board

ANNUAL MEETING SCHEDULE

THURSDAY, APRIL 7, 2016

5 PM to 6:30 PM  Registration and Barbecue at the Woodward County Event Center
5 PM to 6:30 PM  Entertainment
6:30 PM  Call to Order
  Invocation
  National Anthem
  Welcome
  Introduction of Trustees, Employees and Guests
6:45 PM  Business Session
  Report of Quorum & Reading of Official Notice
  Action of 2015 Annual Meeting Minutes
  Financial Report
  Drawing of Prizes
  Adjournment
In 2015, Northwestern Electric Cooperative and Western Farmers Electric Cooperative paid $1,875,814.81 in Gross Receipts Tax which went to support school districts in northwest Oklahoma. The amount of tax paid to each school district depends on the total number of miles of power lines the two cooperatives have in each school district. The following is a breakdown of the dollars paid to the school districts:

**Beaver County:**
- Balko: NWEC $12,091.08, WFEC $20,842.51
- Beaver: NWEC $11,475.77
- Forgan: NWEC $15,328.55

**Dewey County:**
- Leedey: NWEC $198.40
- Seiling: NWEC $22,671.52, WFEC $132,255.20
- Taloga: NWEC $17,481.81, WFEC $38,436.84
- Vici: NWEC $42,692.62, WFEC $72,948.79

**Ellis County:**
- Arnett: NWEC $72,905.63, WFEC $25,579.44
- Fargo: NWEC $28,209.76, WFEC $41,739.16
- Gage: NWEC $23,268.77, WFEC $730.84
- Shattuck: NWEC $38,931.52

**Harper County:**
- Buffalo: NWEC $59,083.45, WFEC $81,204.59
- Laverne: NWEC $116,943.03, WFEC $101,803.48

**Major County:**
- Fairview: NWEC $4,992.97, WFEC $70,187.83

**Woods County:**
- Freedom: NWEC $9,919.90, WFEC $53,622.09
- Waynoka: NWEC $14,699.72, WFEC $72,759.31

**Woodward County:**
- Ft. Supply: NWEC $21,649.48, WFEC $97,418.44
- Mooreland: NWEC $58,469.66, WFEC $214,434.24
- Sharon-Mutual: NWEC $32,174.50, WFEC $84,019.68
- Woodward: NWEC $56,100.77, WFEC $108,543.46

**PRSRT STD**
**U.S. POSTAGE PAID**
**OKLA CITY, OK**
**PERMIT NO. 1541**

**GROSS RECEIPTS TAX HELPS SCHOOLS**