

2017

ANNUAL REPORT



NWEC
NORTHWESTERN
ELECTRIC COOPERATIVE, INC.

Your Touchstone Energy® Partner



ANNUAL MEETING EVENTS

**NOTICE OF ANNUAL MEETING
OF THE MEMBERS OF
NORTHWESTERN ELECTRIC COOPERATIVE, INC.
WOODWARD, OKLAHOMA**

The Annual Meeting of the Members of Northwestern Electric Cooperative, Inc., will be held at the Woodward County Event Center, 105A Temple Houston Drive, in Woodward, Okla., at 6:30 in the evening on Thursday, April 5, 2018, 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 21st day of March, 2018.

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.

IMPORTANT Annual Meeting Information

To be eligible to receive a registration gift and to enter the prize drawing, you must bring your registration card to the meeting. If you haven't received your registration card yet, it should arrive in the mail within the next few days.

• Registration Gift

Members attending the meeting will receive an LED pop-up lantern.



• Prize Drawing

NWEC is giving away lots of prizes including a Kubota 48" zero-turn mower sponsored in part by **Arnett New Holland/Kubota**. In order to qualify for the drawing, the member must be present.

• Kids Drawing

Children ages 3-16 can enter a separate drawing for a variety of prizes at the children's booth. They also receive their own registration gift—a light-up fidget spinner. An alternate gift will be available for children under three.

Remember, you can't win if you don't attend!

Grand Prize!

Kubota 48" zero-turn mower sponsored in part by Arnett New Holland/Kubota



NORTHWESTERN ELECTRIC COOPERATIVE 77TH ANNUAL MEETING

Thursday, April 5, 2018
Woodward County Event Center
105A Temple Houston Drive, Woodward, Okla.

5 - 6:30 PM	Registration and free barbecue dinner catered by Adventures In Catering Entertainment provided by A Bar Bunkhouse Band	
6:30 PM	Welcome Invocation National Anthem Call to Order Introductions Report of Quorum Reading of Official Notice Action of 2017 Minutes Financial Report NWEC Update Drawing of Prizes Adjournment	C. J. Montgomery, Woodward Chamber President Shannon Davis, Woodward First United Methodist Pastor Boomer Expressions Kenny Knowles, President Tyson Littau, CEO Kenny Knowles John Bruce, Jr., Sec.-Treasurer Kenny Knowles Jamie Ruble, Director of Finance & Administration Tyson Littau Jonna Hensley, Member Services & Communications Coordinator

CEO REPORT

A Year in Review

by Tyson Littau, CEO

As most of you are well aware, in 2017 we had two major disasters within 60 days of each other. We had the ice storm that began on January 14, and the devastating fires that started on March 6. Many of our members experienced ice storm related outages that lasted from January 14 to February 2. We have roughly 11,500 meters and, at one time, we lost power to over 9,700 meters. During that storm, we replaced 6,107 poles, 1,826 crossarms and over 395,000 feet of conductor, all while housing and feeding over 450 linemen. From March 6 to March 11, over 1200 meters lost power due to several fires and your cooperative replaced an additional 347 poles and again housed and fed over 100 linemen.

As you can imagine, events of this magnitude have a big impact on our annual margins. For the first time in 35 years, Northwestern Electric had a negative margin. The ice storm restoration and debris removal cost us just over \$21 million, and the fire expenses were over \$500,000. Northwestern Electric will receive reimbursement for 75% of eligible expenses from FEMA for the ice storm, but we won't receive any funds for the fire.

These events require huge amounts of money, all due within a short period of time. For these situations, we borrow money on emergency lines of credit and then pay off the 75% from FEMA when it's received, but the other 25% goes into our long-term debt. We are fortunate interest rates remain extremely low, but on these large sums the interest expense still equals over \$165,000 every three months while we are waiting on the government reimbursements. Your board and staff will continue to monitor the impact of these events on our financials.

On a more positive note, we made it through all of these events without an accident. When you have that many people working during extreme temperatures and timelines, we feel very fortunate all of our linemen returned home safely to their families.

This year we also completed the install of a new state-of-the-art advanced metering system which allows us

to pinpoint outages, control operating costs and improve service reliability. We installed almost 12,000 smart meters across our system. This new technology will help us keep electricity safe, reliable and affordable.

Members can now view outage information on our website or by using the NWECC app on their phone. Linemen use this information to get driving directions while the outage management system predicts what electric device may be at fault. We also added software that will allow dispatchers to view locations of trucks and response vehicles. We are now able

to use this new technology to push out work orders directly to the linemen on their iPads. NWECC members can pay their bill, review usage data and report outages with the Northwestern Electric app. We also added outage texting and many other programs like our member portal that our available on our website.

I will also remind you our original purpose was to provide electricity to farmers and rural communities that couldn't get service from anyone else, and for many of you that is still probably true. We are still a non-profit organization. We pay all of our margins back to you, the member. In 2017, we paid back the 1997 Northwestern Electric Cooperative margins and the 1956-1977 Western Farmers Electric Cooperative margins which totaled more than \$1.3 million.

Even with all the weather events, we continued to stay active in your communities by sponsoring many youth programs, scholarships and safety programs. We also sent one of our own linemen to Guatemala with 12 other linemen from Oklahoma to build line and provide power to a group of people who have never had electricity.

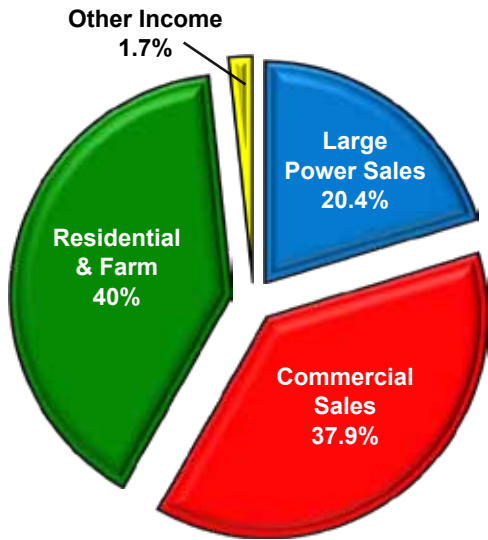
As you can see, NWECC had a very busy year. Please call or come by the office if you have any questions. We appreciate the opportunity to serve you and hope to see you at the annual meeting.



“We are still a non-profit organization. We pay all of our margins back to you, the member.”

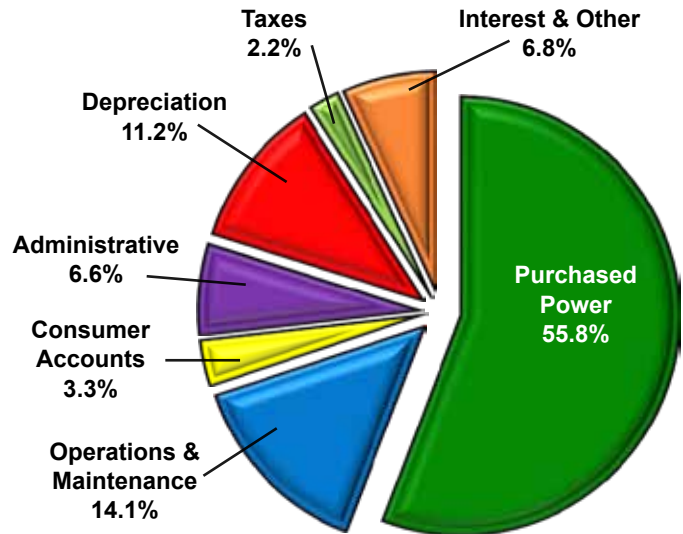
2017 FINANCIAL REPORT

WHERE THE MONEY COMES FROM



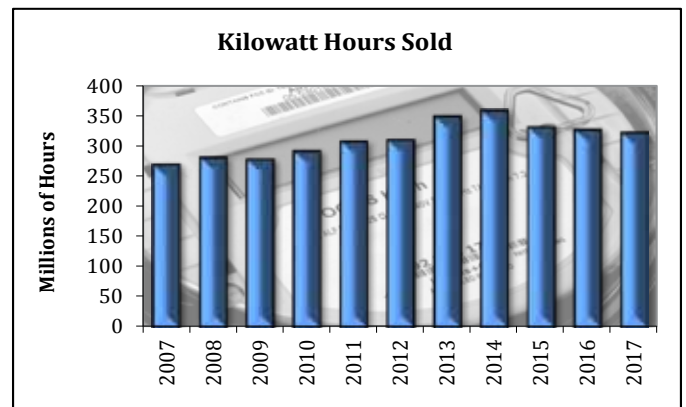
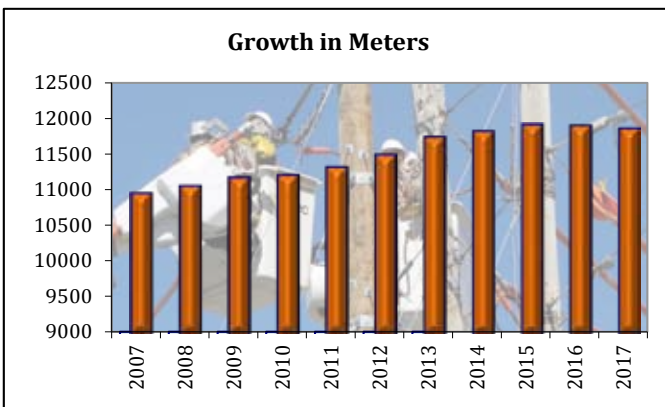
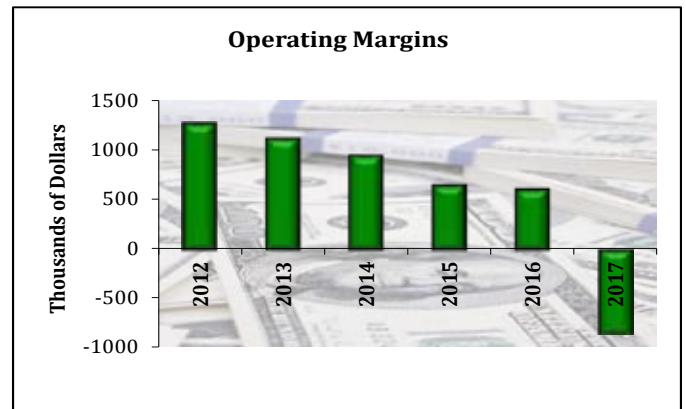
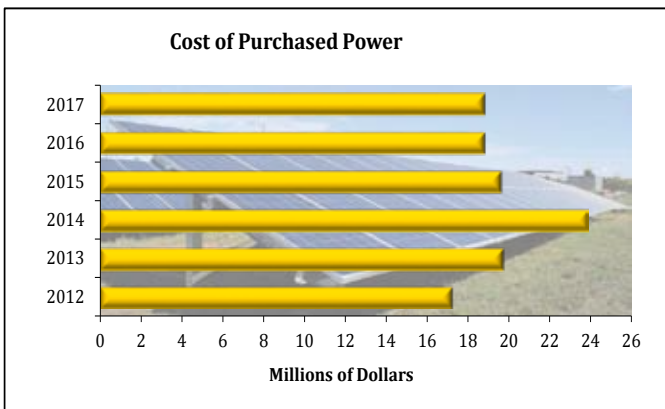
TOTAL INCOME
\$32,779,030

WHERE THE MONEY GOES



TOTAL EXPENSES
\$33,633,410

COMPARATIVE STATISTICS



COMPARATIVE STATEMENT OF OPERATIONS

For the Years Ending December 31, 2016 and 2017	2016	2017
Operating Revenue	\$32,252,444	\$32,779,030
Cost of Electric Service		
Cost of Purchased Power	18,757,556	18,762,782
Distribution Expense - Operations & Maintenance	3,858,023	4,751,547
Consumer Accounts Expense	1,093,378	1,117,978
Administrative and General Expense	2,377,867	2,212,299
Depreciation	3,015,227	3,760,876
Tax Expense - Gross Receipts & Franchise Tax	721,771	742,979
Interest Expense on Long-Term Debt	1,811,254	1,761,437
Interest Expense on Lines of Credit	6,632	523,512
Total Cost of Electric Service	\$31,641,708	\$33,633,410
Net Operating Margins	610,736	-854,380
Interest Income	72,031	60,536
Non-Operating Margins	61,156	-151,670
Patronage Capital Allocations	1,105,663	787,219
Total Patronage Capital or Margins	\$1,849,586	-158,295

BALANCE SHEET *for year ending December 31, 2017*

ASSETS	EQUITIES & LIABILITIES
Utility Plant.....\$101,904,673	Ownership
Less Accumulated Depreciation.....29,324,472	Equities and Margins..... \$2,882,899
Net Utility Plant.....72,580,201	Patronage Capital.....26,821,456
Other Property & Investments	Total Margins & Equities.....29,704,355
Investments in Associated Organizations.....13,886,359	Non-Current Liabilities
Other Investments.....479,986	Long-Term Debt.....46,229,892
Total Other Property & Investments.....14,366,345	Other Non-Current Liabilities.....1,474,287
Current Assets	Total Non-Current Liabilities.....47,704,179
Cash and Temporary Investments.....1,188,209	Current Liabilities
Accounts & Notes Receivable.....2,376,329	Notes Payable - Lines of Credit.....27,500,000
FEMA Receivable.....16,060,767	Accounts Payable.....2,098,112
Materials & Supplies.....847,353	Consumer Deposits.....90,700
Pre-Payments.....129,639	Current Maturities Long-Term Debt.....1,872,879
Other Current and Accrued Assets.....847,038	Other Current and Accrued Liabilities.....552,635
Total Current & Accrued Assets.....21,449,335	Total Current & Accrued Liabilities.....32,114,326
Deferred Charges.....1,271,285	Deferred Credits.....144,306
Total Assets.....\$109,667,166	Total Liabilities.....\$109,667,166

Financial reports are reviewed annually by an independent auditing firm.

YOUR LEADERSHIP

DISTRICT 1

Kenny Knowles, President

DISTRICT 5

Ray Smith, Vice President

DISTRICT 4

John Bruce, Jr., Secretary/Treasurer

DISTRICT 2

Clair Craighead

DISTRICT 3

Duane Henderson

DISTRICT 6

Wayne Hall

DISTRICT 7

Darla Young

DISTRICT 8

Marvin Wilkinson

DISTRICT 9

Gil Perkins

Tyson Littau, CEO

John Meinders, Legal Counsel

CAPITAL CREDITS

Northwestern Electric Cooperative, Inc., (NVEC) belongs to you and our other members who receive electric service from us. Your ownership interest in NVEC is known as capital credits.

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

When NVEC's financial condition permits, your board of directors vote to pay out capital credits. This year, we are issuing \$682,000 in operating margins to members who had capital credits allocated for electric service in 1998.

Last year, Western Farmers Electric Cooperative, Inc. (WFEC), our wholesale power supplier, returned \$585,000 in capital credits to NVEC. This amount will also be paid back to our members who had electric service from 1977 to 1979. Collectively, we are returning \$1,267,000 back to our members.

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.nvecok.coop or by emailing us at cc@nvecok.org.

NVEC is an equal opportunity provider and employer.

Seven 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, without gender, social, racial, political or religious discrimination.

DEMOCRATIC MEMBER CONTROL

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

MEMBERS' ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

AUTONOMY AND INDEPENDENCE

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

EDUCATION, TRAINING AND INFORMATION

Cooperatives provide education and training for their members, elected representatives, managers, and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

COOPERATION AMONG COOPERATIVES

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

CONCERN FOR COMMUNITY

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

EMPLOYEE SERVICE AS OF APRIL 5, 2018

43 YEARS

Dwayne Halderman

Journeyman Lineman/R-O-W Coordinator

30 YEARS

John Kirkwood

Director of Operations

28 YEARS

Jonna Hensley

Member Services & Communications Coordinator

27 YEARS

Larry Stebens

Area Supervisor

26 YEARS

Robert Bohling

Journeyman Lineman

Donna (Dee) Rader

Operations Clerk & Dispatcher

25 YEARS

Donnie Irvin

Staking Engineer

22 YEARS

Shayne Hamilton

Journeyman Lineman

21 YEARS

Ronda Cook

Capital Credit Data Entry

Brent McDowell

Line Superintendent/Safety Coordinator

19 YEARS

Cyndi Giacomo

Membership Records Administrator

Sheri Hayes

Consumer Accounts Representative III

Stacie Wilson

Consumer Accounts Representative II

18 YEARS

Julie Coulter

Collection Coordinator

Jerry Maedgen

Mapping Administrator & IT Support Specialist

Melissa Washmon

Marketing & Key Accounts Coordinator

16 YEARS

Michael Boston

Journeyman Lineman

David Leach

Journeyman Lineman

Tyson Littau

Chief Executive Officer

Brian Snider

Line Foreman

13 YEARS

Clint LeForce

Line Foreman

Lee Overton

Journeyman Lineman/Meter Tech Apprentice

Tyrel Stahlman

Meter Technician/Journeyman Lineman

10 YEARS

Curt Cloyd

Manager Information Technology

Jaret Dowler

Director of Engineering/Purchasing Agent

Amy Martinez

Consumer Accounts Representative I

Chris McGraw

Mechanic

Jamie Ruble

Director of Finance & Administration

9 YEARS

Trevor Howard

Journeyman Lineman

Jarrod Randall

Line Foreman

7 YEARS

Jacob Collier

Journeyman Lineman

D. J. Touchstone

Journeyman Lineman

6 YEARS

Gage Heath

Staking Tech Apprentice

Jackie McIlvain

General Accounting & Work Order Administrator

5 YEARS

Tra Dunham

Journeyman Lineman

Kurt Halling

Journeyman Lineman

4 YEARS

Charley Kintz

Journeyman Lineman

Wendy Zapata

Consumer Accounts Representative II

3 YEARS

Kaylie Cole

Consumer Accounts Representative II

Reagan Dezort

Lineman Tech III

Brogan Goodwin

Lineman Tech II

Tanner Loomis

Lineman Tech III

Arlan Penrice

Lineman Tech IV

Tony Ramirez

Lineman Tech III

Travis Wineinger

Lineman Tech III

2 YEARS

Mario Alvarado

Lineman Tech IV

T. J. Province

Lineman Tech III

Tecia Spray

Accounting/Payroll Specialist

Robyn Medina

Human Resources

1 YEAR

Sean Clemence

Warehouseman

Audra Hopper

Consumer Accounts Representative I/Cashier

Randy Kraus

Mechanic Assistant

<1 YEAR

Jesus Alvarado

Lineman Tech I

Tyson Duperron

Warehouse Clerk

Matt Salmons

Lineman Tech II

Preston Lemons

Lineman Apprentice



P.O. BOX 2707
WOODWARD, OK 73802-2707

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

GROSS RECEIPTS TAX HELPS SCHOOLS

In 2017, Northwestern Electric Cooperative and Western Farmers Electric Cooperative paid \$1,793,415.94 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.

Beaver County:

Balko.....	NWEC	\$11,946.72
	WFEC	\$19,523.68
Beaver	NWEC	\$11,311.14
Forgan	NWEC	\$15,130.06

Dewey County:

Leedey.....	NWEC	\$195.98
Selling.....	NWEC	\$22,984.30
	WFEC	\$123,886.61
Taloga.....	NWEC	\$17,265.44
	WFEC	\$36,004.71
Vici.....	NWEC	\$42,323.88
	WFEC	\$68,332.87

Ellis County:

Arnett.....	NWEC	\$71,972.90
	WFEC	\$23,960.88
Fargo/Gage	NWEC	\$50,877.65
	WFEC	\$39,782.67
Shattuck.....	NWEC	\$38,745.85

Harper County:

Buffalo	NWEC	\$58,032.35
	WFEC	\$76,066.28
Laverne.....	NWEC	\$115,487.65
	WFEC	\$95,361.76

Major County:

Fairview	NWEC	\$4,929.48
	WFEC	\$65,746.62

Woods County:

Freedom	NWEC	\$9,795.00
	WFEC	\$50,229.10
Waynoka.....	NWEC	\$15,006.21
	WFEC	\$68,155.39

Woodward County:

Ft. Supply	NWEC	\$21,487.21
	WFEC	\$91,254.18
Mooreland.....	NWEC	\$58,358.99
	WFEC	\$200,865.69
Sharon-Mutual	NWEC	\$32,410.47
	WFEC	\$78,703.24
Woodward	NWEC	\$55,605.72
	WFEC	\$101,675.26