

Board Treasurer's Report

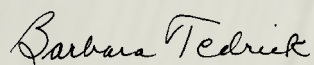
Southwestern Electric Cooperative's financial results for 2013 were vastly improved over the previous year in that the co-op recorded positive margins of \$2 million even after a \$4.3 million non-cash write off of assets. The write-off was associated with the restructuring of a long-term power contract reached earlier in the year.

Due to the restructuring of two long-term power contracts during the year, the cooperative was able to reduce its power costs in 2013 by almost 56 percent from the previous year. The reduction in power costs and a 7 percent rate increase effective in September were the major contributing factors to the strong financial performance, and as a result, the co-op met or exceeded all of the RUS/CoBank/CFC loan covenant financial ratios for the first time in three years.

The robust financial performance that began in 2013 has continued through the first six months of 2014. The co-op has recorded \$3.2 million in margins with a current forecast for the year of \$5.8 million. Southwestern Electric is projected to maintain this strong financial performance over the next eight years with no additional rate increases likely for the next four years.

For additional information, please see the financial statements on the pages to follow.

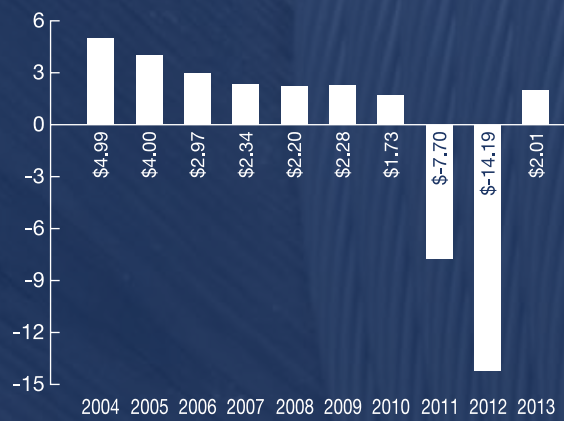
Respectfully Submitted,



Barbara Tedrick, Board Treasurer

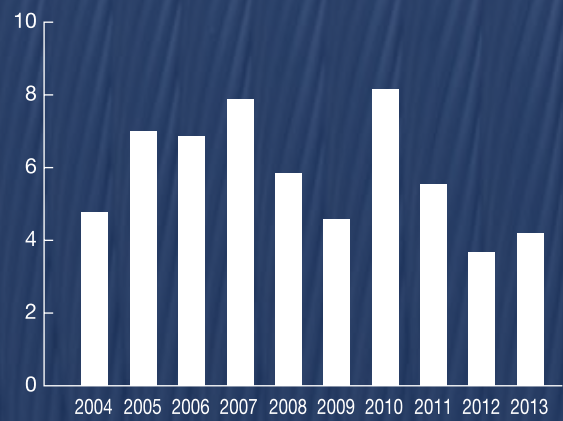
Margins

in millions of dollars



Capital Investment

in millions of dollars



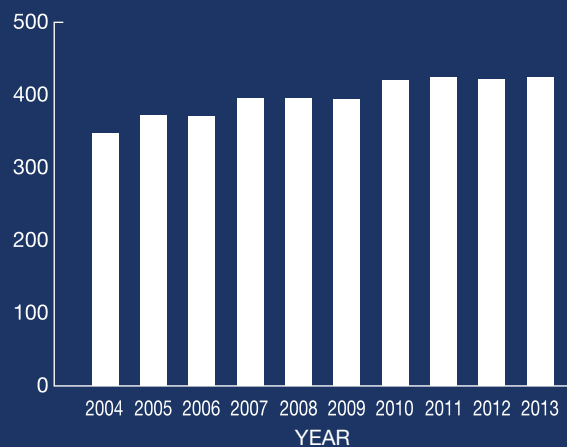
REPORTS AND FINANCIAL INFORMATION

Southwestern Electric Cooperative, Inc. Financial Information

Statement of Operations	2013	2012	2011
Operating Revenue & Patronage Capital	\$53,178,638	\$66,564,648	\$65,312,167
Power Production	676,725	\$836,657	\$835,645
Cost of Purchased Power	26,993,035	58,349,826	53,612,279
Distribution Expense - Operation	957,773	1,019,840	966,511
Distribution Expense - Maintenance	3,693,285	3,623,212	3,267,608
Consumer Accounts	1,205,402	1,262,870	1,182,469
Customer Service & Informational Expense	225,713	222,561	215,436
Sales	709,035	788,575	736,702
Administrative & General Expense	4,842,940	5,926,829	4,034,275
Depreciation & Amortization	4,298,375	4,267,845	4,156,015
Taxes	452,673	523,262	582,789
Interest and Other Deductions	<u>3,299,429</u>	<u>3,345,974</u>	<u>3,528,404</u>
Total Cost of Electric Service	47,354,385	\$80,167,451	\$73,118,133
Margins			
Operating Margins & Patronage Capital	\$5,824,253	\$(13,602,803)	\$(7,805,966)
Non-Operating Margins	434,518	(589,914)	677,321
Extraordinary Items	(4,251,238)	0	(570,784)
Total Operating & Non-Operating Margins	<u>\$2,007,533</u>	<u>\$(14,192,717)</u>	<u>\$(7,699,429)</u>

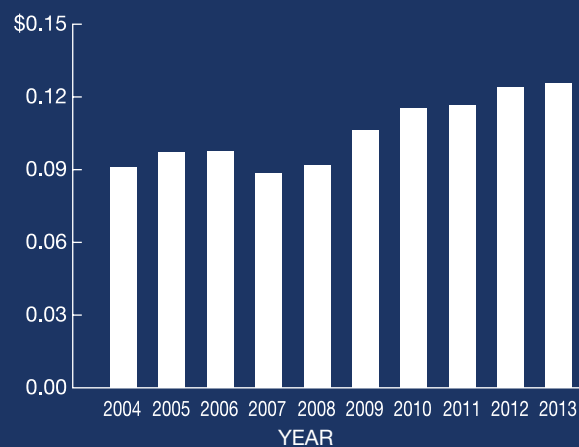
Total Electricity Sold to Members

in millions of kWh



Rate per kWh to Residential Members

in dollars



Balance Sheet (As of December 31, 2013)

Assets

Electric Plant at Original Cost	\$161,152,631
Less Depreciation	<u>43,144,619</u>
Net Utility Plant	\$118,008,012
Cash	\$1,116,081
Investments	10,345,122
Accounts Receivable	5,865,918
Materials & Supplies	1,012,025
Prepayment & Other Accrued Assets & Deferred Debits	467,127
Regulatory Assets	<u>30,321,481</u>
Total	<u>\$167,135,766</u>

Equities & Liabilities

<i>Equities</i>	
Membership Fees	\$283,625
Patronage Capital & Other Equities	37,820,745
<i>Liabilities</i>	
<i>Long-Term Debt</i>	
Net of Current Maturities	\$89,235,594
Other Noncurrent Liabilities	30,404,675
<i>Current Liabilities</i>	
Current Maturities of Long-Term Debt	\$4,250,331
Consumer Deposits	662,148
Accounts Payable	1,628,522
Deferred Credits	2,109,407
Other Current & Accrued Liabilities	<u>740,719</u>
Total	<u>\$167,135,766</u>

Where did the cooperative's revenue go in 2013?

Power Production	\$676,725	1.4%
Purchased Power	\$26,993,035	54.7%
Operations & Maintenance	\$4,651,058	9.4%
Customer Accounts & Sales Expenses	\$2,140,150	4.3%
Administrative & General Expenses	\$4,842,940	9.8%
Depreciation & Amortization	\$4,298,375	8.7%
Taxes, Interest, & Other Deductions	\$3,752,102	7.6%
Operating & Non-Operating Margins	\$2,007,533	4.1%
Total:	\$49,361,918	100.0%