

Board Treasurer’s Report

Southwestern Electric Cooperative’s strong financial performance has continued through 2017, and the co-op recorded a total of \$1.55 million in margins. Accordingly, Southwestern Electric was in compliance with all provisions of the loan agreements with CoBank, who is the sole lender for all of the co-op’s long-term debt.

In order to minimize the need for future rate increases, an additional \$2.9 million in margins was deferred to future years under the Margin Stabilization Plan. As of Dec. 31, 2017, Southwestern has deferred a total of \$11.8 million for margin stabilization. Excluding unforeseen developments or weather anomalies, Southwestern’s long range outlook does not project any rate increases through the year 2025.

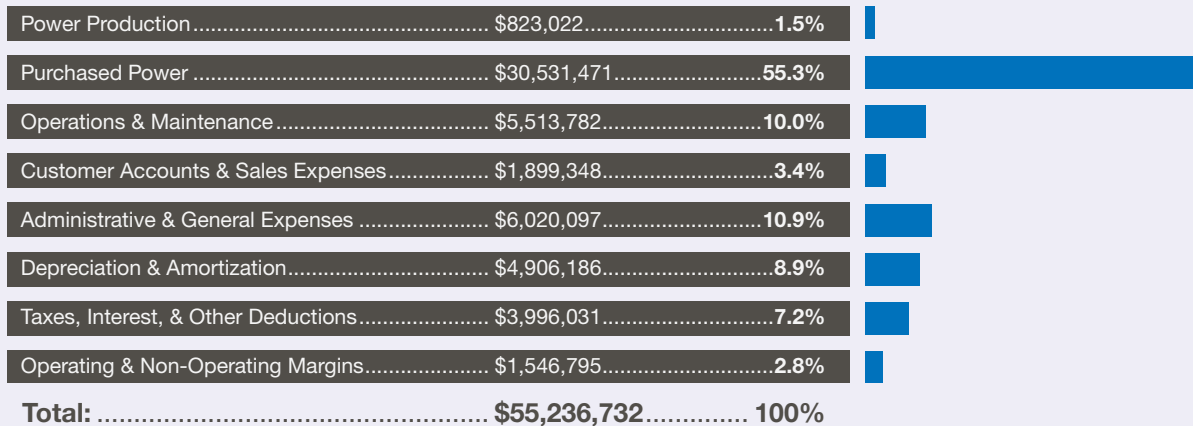
For additional information, please see the financial statements on the pages to follow.

Respectfully Submitted,

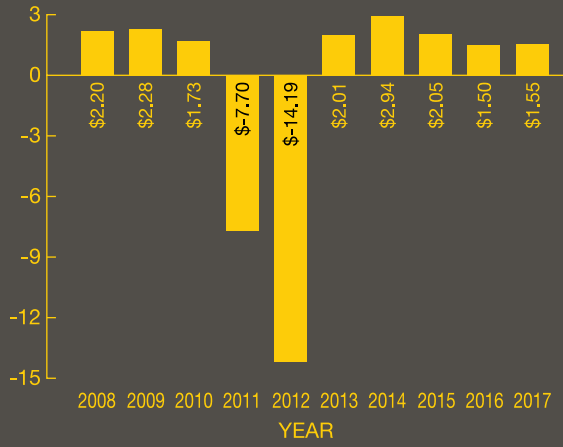


Sandy Nevinger
Board Treasurer

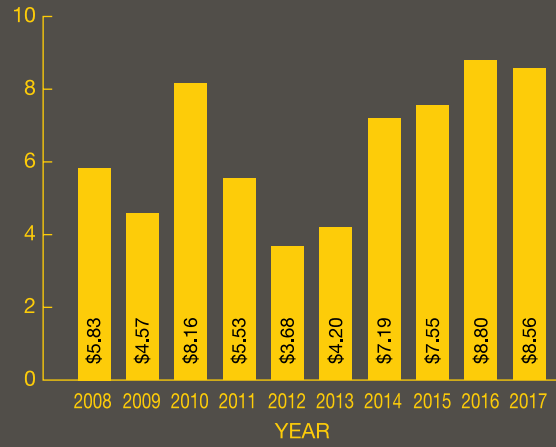
Where did the cooperative’s revenue go in 2017?



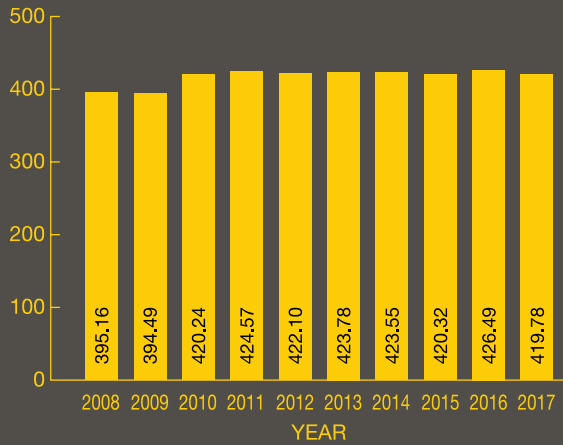
Margins
in millions of dollars



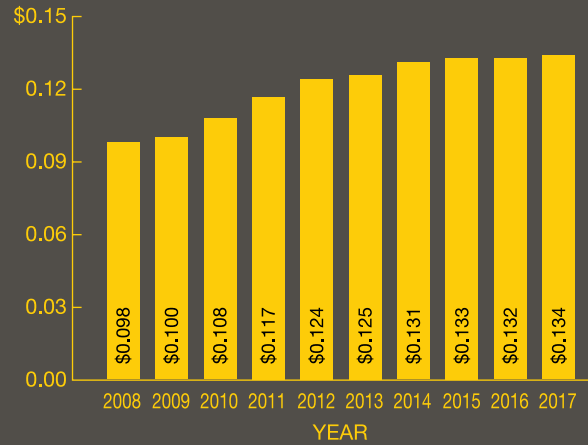
Capital Investment
in millions of dollars



Total Electricity Sold to Members
in millions of kWh



Rate per kWh to Residential Members
in dollars (includes infrastructure and operations charge)



Southwestern Electric Cooperative Financial Information

Statement of Operations	2017	2016	2015
OPERATING REVENUES			
Electric	\$53,815,941	\$54,260,874	\$53,561,817
Other	<u>370,676</u>	<u>401,527</u>	<u>380,441</u>
Total Operating Revenues	54,186,617	54,662,401	53,942,258
OPERATING EXPENSES			
Cost of Purchased Power	30,531,471	31,181,882	30,202,140
Power Production Expense - Operations	266,073	308,634	171,663
Power Production Expense - Maintenance	556,607	517,738	511,406
Transmission Expense - Maintenance	342	8,346	-
Distribution Expense - Operations	1,187,920	1,026,926	1,015,649
Distribution Expense - Maintenance	4,325,862	3,873,523	4,020,166
Consumer Account Expense	1,332,637	1,244,806	1,265,257
Consumer Service and Informational Expense	31,228	184,657	190,416
Sales Expense	535,483	572,254	578,915
Administrative and General Expense	6,020,097	6,220,481	6,065,388
Depreciation	4,906,186	4,775,424	4,454,515
Taxes	202,558	208,565	195,160
Other Interest	39,426	72,487	109,603
Other Deductions	<u>35,006</u>	<u>44,983</u>	<u>34,877</u>
Total Operating Expenses	<u>49,970,896</u>	<u>50,240,706</u>	<u>48,815,155</u>
OPERATING MARGINS BEFORE FIXED CHARGES	4,215,721	4,421,695	5,127,103
INTEREST ON LONG-TERM DEBT	<u>3,719,041</u>	<u>3,717,202</u>	<u>3,507,398</u>
NET OPERATING MARGINS	496,680	704,493	1,619,705
NONOPERATING MARGINS			
Interest Income	63,260	63,231	66,856
Patronage Capital Credits	919,239	704,971	345,746
Other Nonoperating Margins	<u>67,616</u>	<u>26,001</u>	<u>21,495</u>
Total Nonoperating Margins	<u>1,050,115</u>	<u>794,203</u>	<u>434,097</u>
NET MARGINS	<u><u>1,546,795</u></u>	<u><u>\$1,498,696</u></u>	<u><u>\$2,053,802</u></u>

Balance Sheet (As of December 31, 2017)

ASSETS

Utility Plant

Electric Plant in Service	\$181,242,882
Construction Work in Progress	<u>3,228,011</u>
Total	184,470,893
Less: Accumulated Provision for Depreciation	<u>(53,303,966)</u>
Net Utility Plant	131,166,927

Other Assets And Investments

Investments in Associated Organizations	3,261,036
Notes Receivable	48,779
Other Special Funds	<u>353,514</u>
Total Other Assets and Investments	3,663,329

Current Assets

Cash and Cash Equivalents	4,410,881
Accounts Receivable, Net	5,510,074
Materials and Supplies Inventory	1,361,658
Prepayments	545,659
Interest Receivable	<u>14,163</u>
Total Current Assets	11,842,435

Deferred Charges

	<u>8,530,702</u>
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Total Assets

	<u><u>\$155,203,393</u></u>
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EQUITIES & LIABILITIES

Equities

Patronage Capital	\$41,574,302
Other Equities	<u>3,028,497</u>
Total Equities	44,602,799

Long-Term Debt, Net of Current Maturities

	84,493,396
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Accumulated Miscellaneous

Operating Provisions	4,744,269
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Accumulated Provision for

Pension And Benefits	353,514
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Current Liabilities

Current Maturities of Long-Term Debt	3,814,251
Accounts Payable	3,422,112
Consumer Deposits	749,087
Other Current and Accrued Liabilities	<u>905,143</u>
Total Current Liabilities	8,890,593

Deferred Credits

	<u>12,118,822</u>
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Total Equities and Liabilities

	<u><u>\$155,203,393</u></u>
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