

2018



MEMBER DRIVEN —
FUTURE FOCUSED

GOLDEN SPREAD ELECTRIC COOPERATIVE, INC. | ANNUAL REPORT

35 YEARS • 1984 - 2019

MEMBER DRIVEN — FUTURE FOCUSED

Golden Spread Electric Cooperative, Inc., began in 1984 when several rural electric cooperatives joined forces to strengthen their position for the future. A number of challenges have been placed before Golden Spread in the intervening years. Through the guidance of the Board of Directors, we have been faithful to the cooperative spirit and disciplined in our plans to provide a secure energy future. During the last decade, the Board has skillfully guided Golden Spread to:

- Replace expiring power purchase contracts with a low-cost power supply plan.
- Meet our own generation needs with a combination of renewable energy and state-of-the-art gas-fired generators.
- Bring competitive energy solutions to our Members with current rates that are lower than with former contracts.

Today, Golden Spread's 16 Member Cooperatives each provide two Board Members for stable governance. In the same way our Board successfully met the challenges of the past, it takes a Member-driven approach to meet the challenges of the future.

In the following pages, we invite you to read about Golden Spread's new Member-driven initiatives that perpetuate our future focus.

KEY DATA

2018

2017

CONDENSED FINANCIAL DATA

Operating Revenues	\$	464,224,952	\$	397,636,645
Operating Expenses	\$	394,837,841	\$	347,542,084
Operating Margins before Fixed Charges	\$	69,387,111	\$	50,094,561
Fixed Charges	\$	28,155,323	\$	29,024,495
Nonoperating Margins	\$	1,902,334	\$	(3,498,580)
Net Margins	\$	43,134,122	\$	17,571,486
Total Assets	\$	1,108,956,524	\$	1,103,551,165
Long-Term Debt	\$	586,007,365	\$	603,683,402
Members' Equity	\$	453,492,565	\$	423,058,443

FINANCIAL RATIOS

Total Equity/Total Assets (%)	40.89	38.34
Days Cash on Hand	136	102
Debt Service Coverage Ratio	2.32	1.88
Debt/Funds Available for Debt Service	5.00	6.53
Total Equity/Total Capitalization (%)	43.62	40.67

OPERATING STATISTICS

Average Rate to Members (\$/MWh)	\$	50.92	\$	57.70
Energy Sales to Members (MWh)		7,753,192		6,262,561
Energy Sales to Nonmembers (MWh) (1)		970,829		957,709
Total Energy Sales (MWh)		8,724,021		7,220,270
Member Peak Demand (MW)		1,688		1,518
Member System Load Factor (%)		52.40		47.10
Energy Generated (MWh) (2)		4,159,596		3,720,786
Energy Purchased (MWh) (2)		4,642,571		4,088,207

(1) Includes energy and ancillary services sales

(2) Includes ancillary services for Member load

Variations in operating revenues are due to the volume of kWh sales, fuel prices, operating expenses and Board-approved margins. The 2015 revenues also reflect a large regulatory refund which reduced operating expenses and revenues.





LETTER

from the **PRESIDENT**
and the
CHAIRMAN OF
THE BOARD

Golden Spread has worked hard to serve our Members while planning for and responding to the increasing pace of dramatic changes in our industry. In 2018, it became clear our strategic decisions produced benefits. Member demand and energy usage reached all-time highs, improving our overall average rate to Members last year. These results demonstrate that the cooperative model works and that great things can be accomplished if we focus on our Members and their needs with an eye toward the future.

In short, it is more important than ever for Golden Spread to be “Member Driven and Future Focused.”

As Golden Spread continues to respond to Member needs, it is important to retain organizational flexibility to adapt and change to meet Member requirements. In 2018, Golden Spread implemented organizational changes to do just that. As our biggest investment is in power plants, one of the organizational changes implemented in 2018 was to better align our engineering and production management efforts. Since Golden Spread has completed its major construction schedule, we combined these two groups to achieve a more synergistic approach for overall plant decisions. While Golden Spread has a relatively young generation fleet, important decisions must be made in the

next few years regarding Mustang Station (our only combined-cycle plant) to determine the role it will play in future operations.

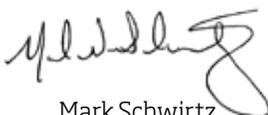
Golden Spread has placed more emphasis on bringing additional products and services to its Members by adding resources and capabilities to the Member Services Department. Golden Spread has already assisted Members with implementing new software solutions and cybersecurity services. We are also currently assisting our Members by helping coordinate efforts related to economic development and electric vehicle readiness plans. We expect our catalog of services will continue to expand to meet the growing needs of our Members.

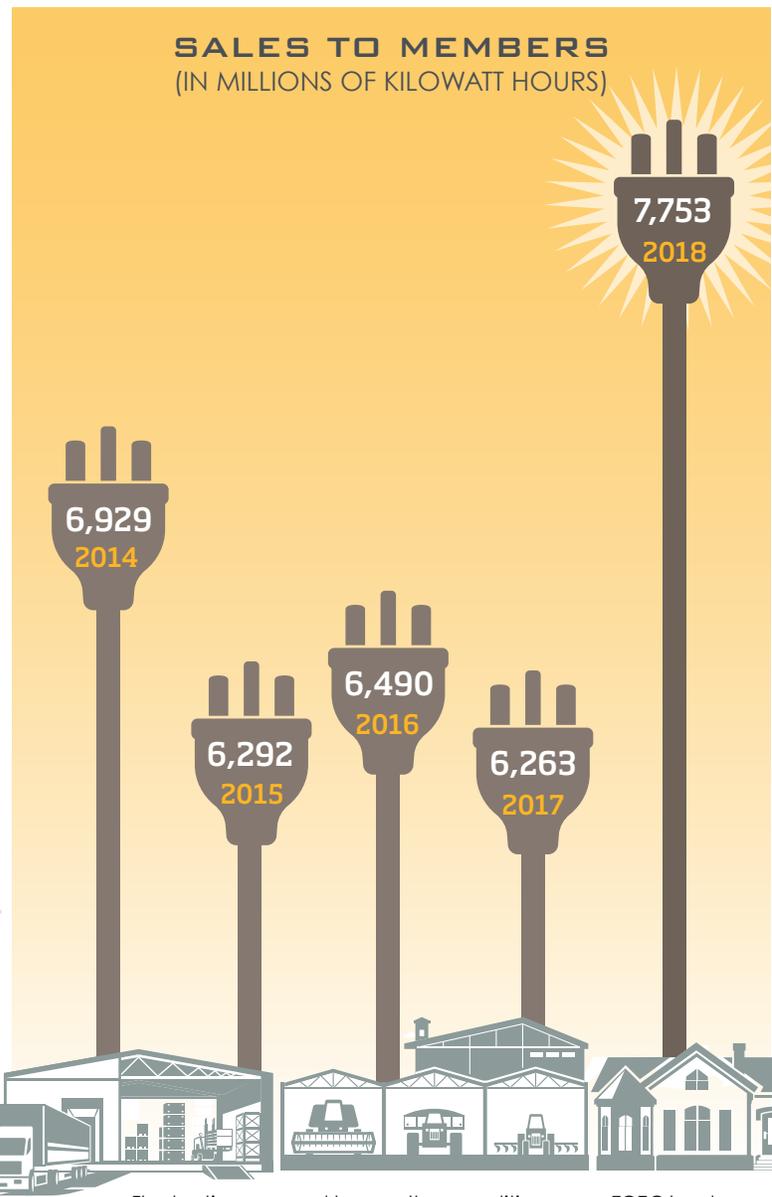
Golden Spread continues to increase its sophistication in market operations. Over the past five years, we have placed significant emphasis on maturing our risk management policies, procedures and controls. For example, we have implemented well-defined and vetted hedge policies that take into account the risk tolerance of our Board and the evolving market rules in the Electric Reliability Council of Texas and the Southwest Power Pool. Our strategic decisions to build our quick-start and fast ramping gas-fired plants at Antelope Elk Energy Center, which became operational in 2011, and equip them in 2016 to serve both markets has

allowed us to better hedge the market cost of our Members' load and has increased margins from sales to third parties to levels not seen for many years. The result is lower rates and better returns on our Members' investment. This has allowed Golden Spread to continue its timely distribution of capital credits to the Members it serves.

While we have had a successful year and have accomplished many great things, we remain driven to meet the ever-increasing demands of our Members and the technology and market disruptions that are beginning to change our industry. We look forward to meeting the challenges of the future electric industry, working closely with Members to ensure we are there when they need us to help resource and navigate through these changes.

In 2019, Golden Spread will take a comprehensive look at our three-year strategic plan to ensure we have the right plan in place to competitively position Golden Spread and our Members - whatever shape the utility of the future takes.

 
 Mark Schwirtz Stan McClendon



Fluctuations caused by weather conditions, new TCEC load and pipeline/oil and gas activity had positive impact on 2018 sales.



THE GOLDEN SPREAD EXECUTIVE TEAM is comprised of, first row, Margaret "Peg" Rupert, Chief Information, Strategy and Compliance Officer; Mark Schwirtz, President and Chief Executive Officer; second row, Michelle Blackmore, Vice President, Human Resources; Scott Gross, Chief Financial Officer; Bill Harrelson, Chief Legal Officer; third row, Jennifer Altmiller, Manager, Executive and Business Services; and John Eichelmann, Vice President, Member Services.



MEMBER ENGAGEMENT and SERVICES

Golden Spread continues a major effort it began in 2017 to work with its Members to identify areas where Golden Spread staff or its processes can assist Members and meet their needs efficiently and cost effectively.

The initial focus for new services was in the information technology area, and efforts continue to refine the list of IT offerings. In addition, new service opportunities are under evaluation and being piloted in other areas, such as human resources and engineering services.

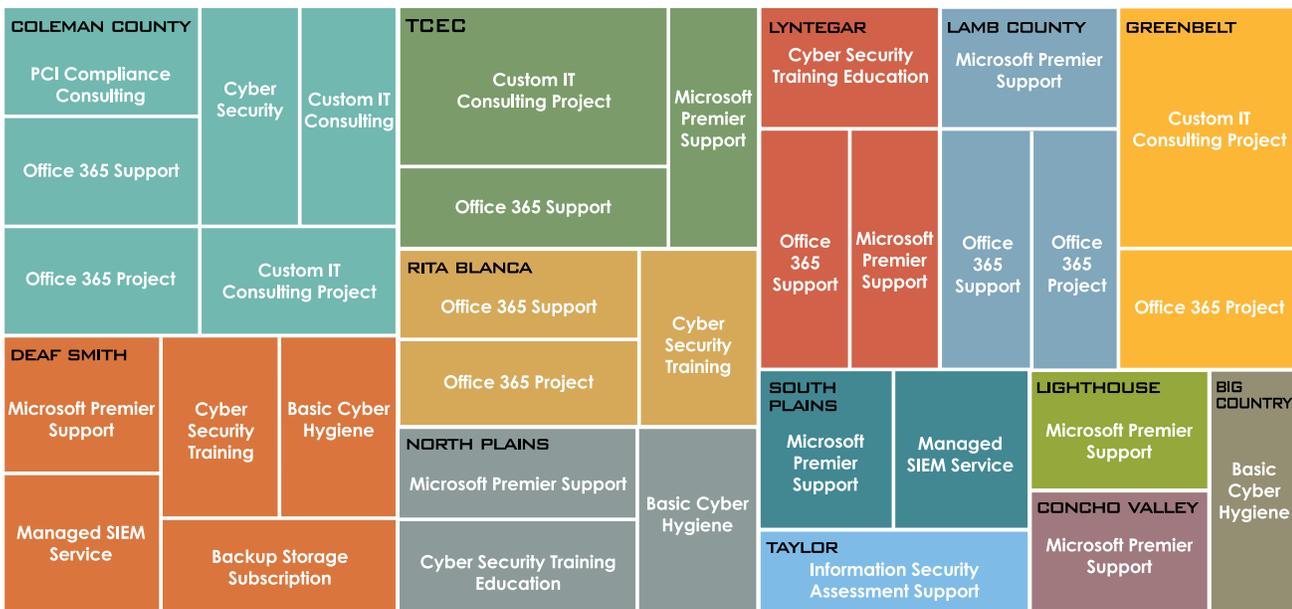
To increase communication and collaboration among our Members, Golden Spread works with them to educate and train through forums. These forums focus on engaging and assisting Members in efforts to identify and meet their needs efficiently and cost effectively.

Golden Spread increased our own staff's awareness of our Members by adding a "Member Spotlight" session to our quarterly all-staff meetings. The featured Member educates our employees about their territory and facilitates conversation about their cooperative. Golden Spread employees who have not visited the Members' territories are especially appreciative of the chance to learn more about Member Cooperatives. Past presenters have included information on the history of their cooperative, statistical data and information about what makes their cooperative unique.

To ensure Golden Spread's services are Member-driven and provide benefits, all services are reviewed and approved by the Board of Directors' Services Committee. Plans for 2019 are to continue exploring and evaluating the potential opportunities surrounding value-added services and to increase communication and collaboration with and among the Members.

Community solar is a way for cooperatives to participate in renewable energy. The local array shown here is located at TCEC's headquarters.





Expansion of IT Services to Members

Golden Spread expanded the breadth of our information technology service offerings in 2018 and worked in concert with the Board Services Committee to finalize and approve the IT service catalog for our Members. The approved service catalog involves a variety of IT services including Office 365 implementation and cybersecurity, as well as custom IT consulting requests tailored to the specific needs of the Member.

In 2018, our Member Cooperative TCEC leveraged Golden Spread's new custom IT consulting service to orchestrate an upgrade of its corporate network infrastructure. For this project, Golden Spread and TCEC partnered with a trusted third party to design, implement and tune TCEC's network infrastructure. Golden Spread's existing partnership with external partners helped secure top resources and discounted service fees to bring this project to a successful completion.

Office 365 implementation services and support continue to be the most popular service offering among our Members. We completed our first two implementations in 2017, and then partnered on more implementations in 2018 with Lyntegar Electric Cooperative, Rita Blanca Electric Cooperative and Greenbelt Electric Cooperative.

Cybersecurity services continue to rise in demand and several of our Member Cooperatives have implemented security monitoring tools via Golden Spread's Managed Security and Event Monitoring Service. This service provides 24x7 network security monitoring and initial triage and analysis of alarms to help Members detect security threats in their network.

Another popular service is cybersecurity training. The training is performed by Golden Spread's security team and is tailored around incident response, malware detection, user awareness and identifying phishing threats. An optional add-on to this service offering is participation in quarterly phishing exercises.

Golden Spread's future focus remains on IT services that provide additional benefit to our Members.

Above, Golden Spread Members take advantage of IT consulting services as shown on this dashboard graphic.

2018 IT COMMUNITY GROUP: Cooperation Among Cooperatives

Golden Spread hosted an IT Community Group Annual Summit in the fall of 2018 at the Amarillo office. The Summit brought together the IT organizations from Golden Spread and our Members for training from outside vendors and sharing of ideas and experiences among the IT staffs. Feedback regarding the Summit was very positive, so the group plans to continue the same format in 2019.

ADDING VALUE

through MEMBER SERVICES

Golden Spread focused on efforts to provide value-added services to our Member cooperatives in 2018.

Economic development and electric vehicle charging are two important initiatives undertaken by Member task forces. Each endeavor was born of the desire to grow load for our Members and enrich their communities. The goal for each committee was to provide input and research for developing an implementation plan framework for all Golden Spread Members. Plans for both initiatives were completed with a tremendous amount of engagement from the Members and Golden Spread. The work continues with training, development of websites, grant writing and other activities as these initiatives evolve into successful value-added services for the Members.

Golden Spread actively pursues opportunities for our Members and provides education to prepare them to do the best job possible for their cooperatives. In January 2018, we offered a training titled "Understanding and Managing Power Quality for Variable Frequency Drives." Many topics were presented during the training to give engineers tips on improving overall power quality for their cooperative.

We also offered a communication planning workshop for our Members. This workshop provided an overview of the steps necessary for effectively communicating a message to the public and Member-Consumers. The workshop provided valuable information for developing a communication tool and gaining a greater understanding of communication planning.



INAUGURAL MEMBER HR SUMMIT

Human resource professionals from Golden Spread's Members participated in the inaugural Member HR Summit in February 2018. Hosted by Golden Spread, this event was developed from a need for training opportunities that included content to increase the value of both the HR function and HR professionals.

Through an interactive, scenario-based approach, participants learned methods to earn trust and increase credibility by focusing on ways to transform the HR function from a tactical approach to one that is more strategic. Another major focus of the training was identifying ways HR professionals and leadership can proactively shape organizational culture and how doing so can increase engagement, productivity and morale.

Participants rated the summit a success and indicated they learned clear ways to increase both their trust and credibility. The plan is to continue providing this high-level training in future years.

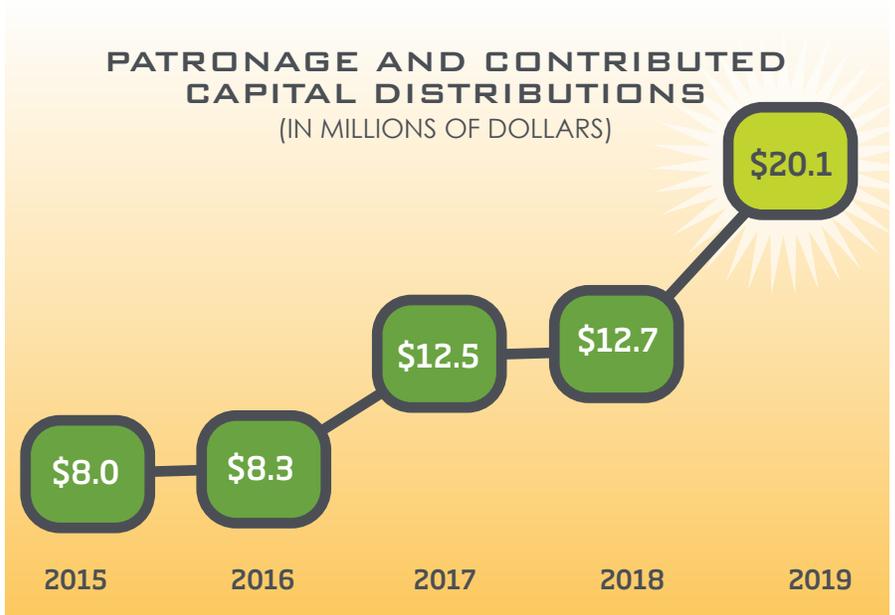


PATRONAGE and CONTRIBUTED CAPITAL DISTRIBUTIONS

The Golden Spread Board of Directors has authorized payment of patronage and contributed capital distributions to Members for 19 consecutive years. In 2019, the Board authorized patronage and contributed capital distributions of \$20.1 million. In March 2018 and 2017, distributions of \$12.7 million and \$12.5 million, respectively, were authorized and paid.

From 2001 through March 2019, more than \$132.9 million in patronage and contributed capital distributions were paid.

PATRONAGE AND CONTRIBUTED CAPITAL DISTRIBUTIONS
(IN MILLIONS OF DOLLARS)



Golden Spread's Board of Directors increased the payment of patronage capital in 2017, 2018 and 2019.



ADVANCING OUR MEMBERS' OPERATIONS

MARKET OPERATIONS

Our market operations team has been working more frequently with our Members who are seeking commercial and market solutions to stay competitive and manage their risk. Those solutions can vary widely and address individual Member issues or a collective set of issues. Future success requires the ability to respond with those solutions effectively.

A recent example is the Energy Management Services Agreement that Golden Spread provided and executed with our Member Cooperative TCEC. This agreement provides services to TCEC to help it manage its new wind power purchase agreement. The services include forecasting the output, offering the energy and assisting with billing and checkout.

POWER DELIVERY

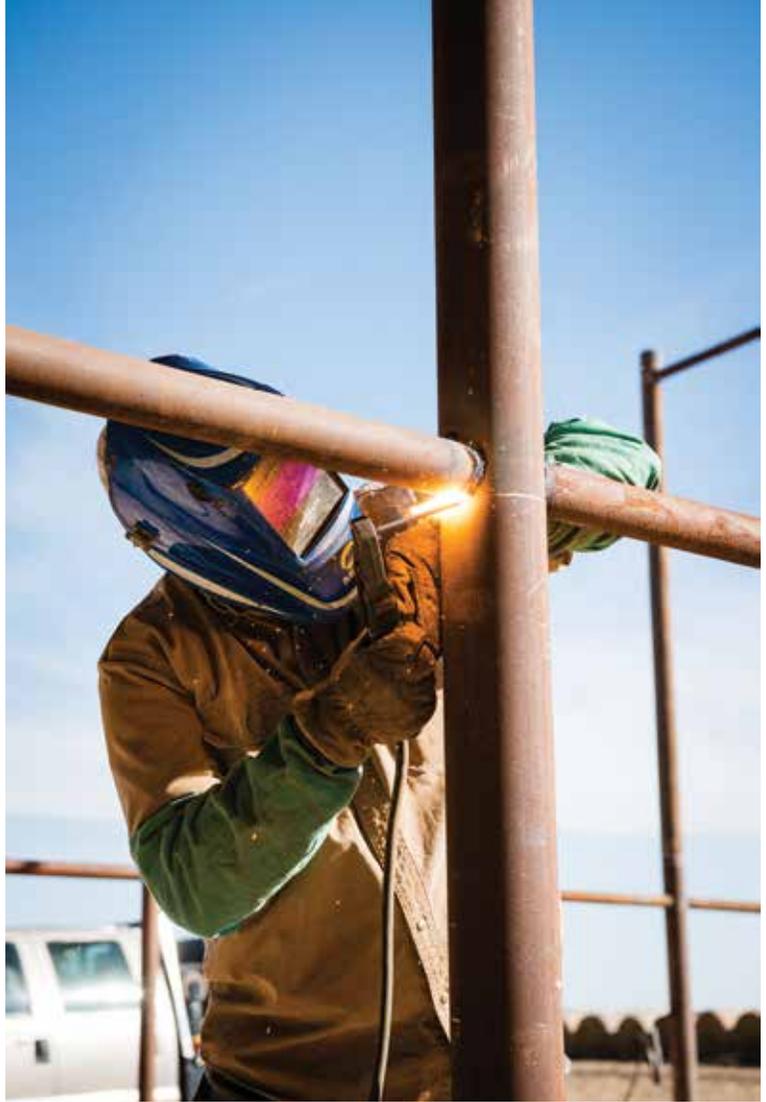
Golden Spread's power delivery team works with our Members to accommodate load growth. In 2018, 11 delivery points were added in the Southwest Power Pool (SPP), and four in the Electric Reliability Council of Texas (ERCOT). Pipeline activity has increased in Member Cooperative territory, with three pump stations coming online in 2018. Six more delivery points are currently in process for compressor/pump stations, predominately in ERCOT.

One of the new delivery points still being developed for Coleman County Electric Cooperative requires a unique solution that involves acquiring a private 12-mile, 69 kV transmission line owned by the Colorado River Municipal Water District, turning the line into public use by application with the Public Utility Commission of Texas, and extending it to a pipeline pump station just under a mile away.

The power delivery team continues to work with our Members to find ways to improve real-time data acquisition, load forecasting and interactions with transmission service providers. A new service, Global Reach, was rolled out to Members. This software allows Members to request help when extensive damage has occurred to their system or to respond with crews to assist another cooperative in need.

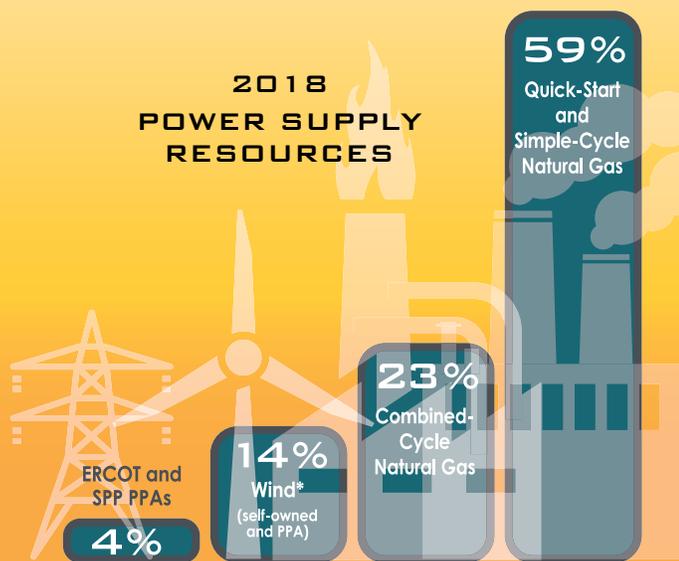
POWER SUPPLY

By merging engineering and production into the power supply team, we have leveraged the best parts of our operating experience with the ability to convey plant issues at an engineering level. In addition, the third-party operations and maintenance provider and our power supply team have further integrated and coordinated efforts, improving safety, operations and maintenance outcomes. Coupled with our project management skills, that has allowed us to jointly complete more projects and has led to improved performance at our plants.

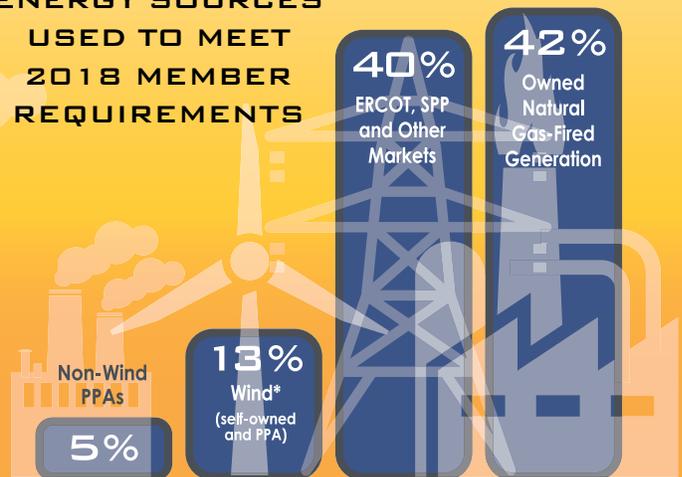


CURRENT RESOURCE OPERATION

2018 POWER SUPPLY RESOURCES



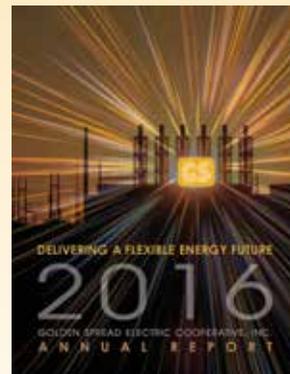
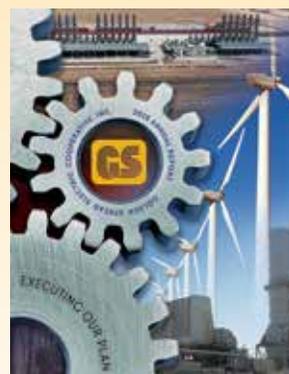
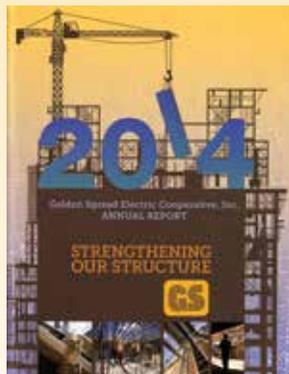
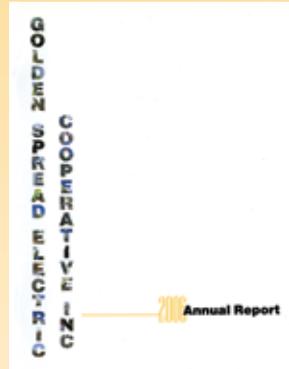
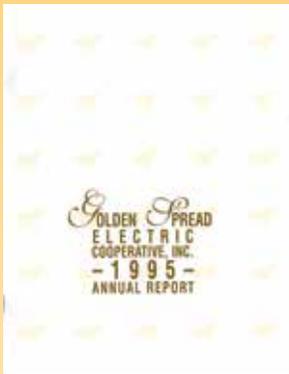
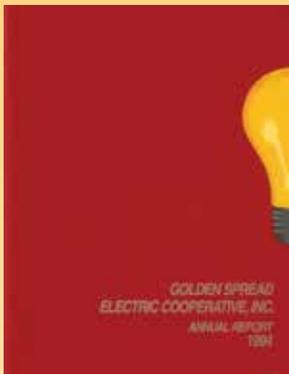
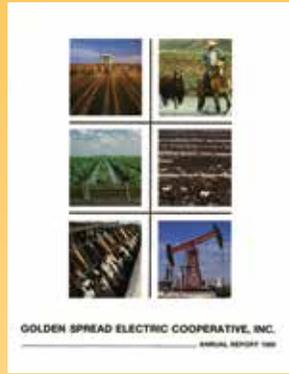
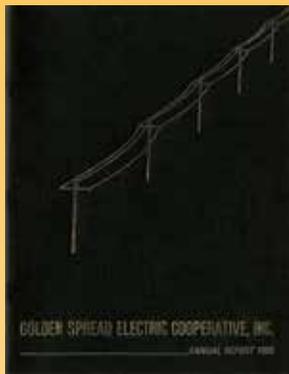
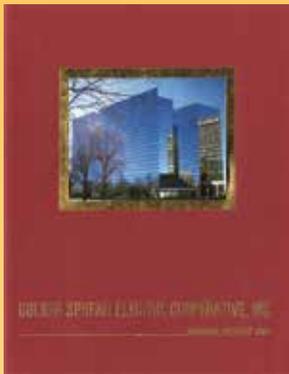
ENERGY SOURCES USED TO MEET 2018 MEMBER REQUIREMENTS



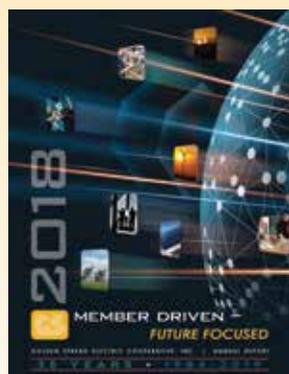
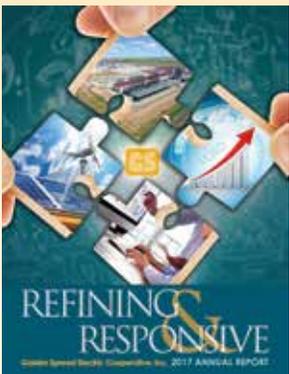
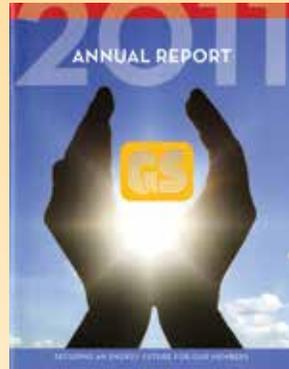
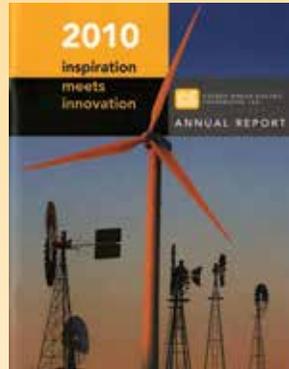
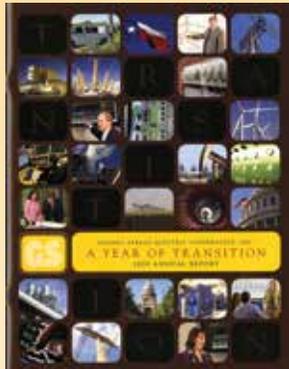
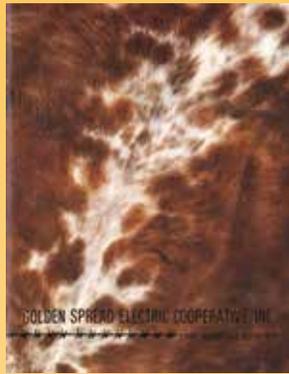
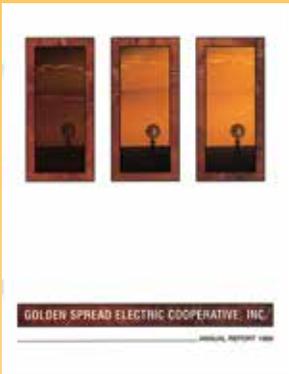
PPAs are power purchase agreements.

* Golden Spread sold or transferred all of the environmental attributes associated with wind to third parties in the form of renewable energy credits.

35 YEARS OF GOLDEN



SPREAD ANNUAL REPORTS



Golden Spread Electric Cooperative, Inc.

A Touchstone EnergySM Cooperative 

35 YEARS • 1984-2019

THE COOPERATIVE of the **FUTURE**

The mission of Golden Spread is to deliver cost effective, competitive and reliable power to provide a secure energy future for generations to come by creating opportunities, cultivating cooperation and navigating industry risk. This mission requires us to constantly evaluate the many issues affecting power supply and to work consistently toward our prioritized goals. This evaluation process is defined by a strategic plan.

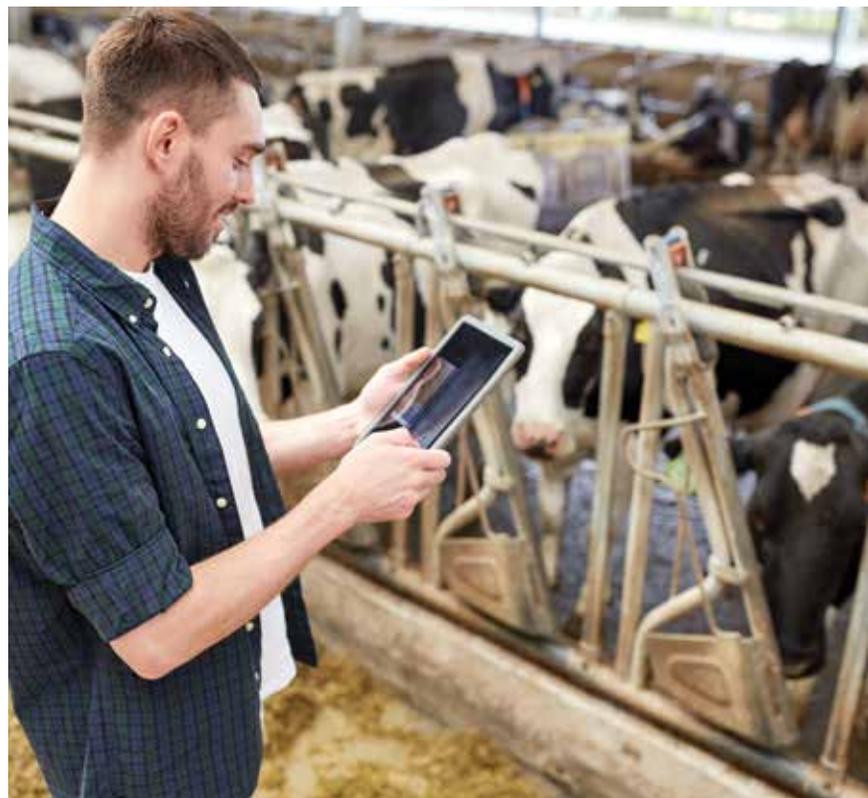
Strategic planning is crucial to any organization as it provides an analysis of the current state and how that could be impacted by industry or business changes. Strategy also allows Golden Spread to focus on initiatives that will add future value and prepare for changes in our industry.

The utility industry faces new and evolving technological advancements that provide both opportunities and challenges. The rise of distributed energy resources, such as battery storage and solar energy, brings about the evolution of consumer expectations and drives innovation in the energy market. As a result, the way we serve our Members is evolving and changing. Flexibility and innovation are essential for us to remain competitive and to build upon our strong foundation.

As we reflect on the evolution of Golden Spread's strategic planning process over the past 10 years, we see our process has matured noticeably to adjust to the accelerating dynamics of the utility industry.

Golden Spread has adapted its strategic focus from building assets to having a formalized planning process that incorporates detailed analysis of external factors, risks and opportunities for efficient decision making. The process also incorporates quarterly updates for monitoring and measuring progress on strategic goals.

In 2019, we begin Golden Spread's three-year cycle of refreshing our strategic plan and objectives. This process requires Golden Spread leaders, subject matter experts and Board Members to analyze and screen issues, ideas, uncertainties and multiple scenarios that will ultimately develop our strategic action plan. This is an opportunity to either confirm or update the strategic focus and activities around distributed energy resources, load growth, Member services and operational excellence or any other new area of priority for the next three to five years.



FORMALIZING OUR ENERGY RISK MANAGEMENT POLICIES

Since 2014, Golden Spread has been making significant investments in the risk management function.

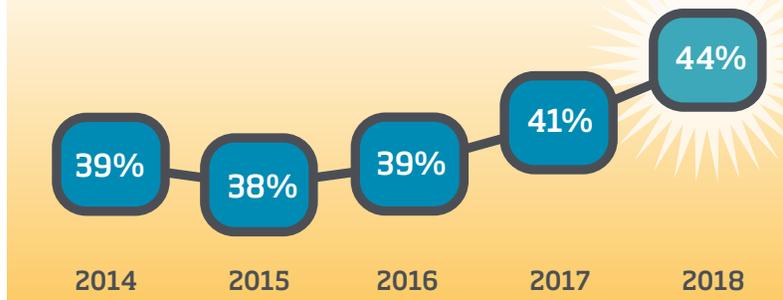
We have set forth clear energy risk management objectives and an established process for articulating Board risk tolerance for internal, as well as external, applications. Golden Spread's Board and management worked on internal processes to formalize and bring transparency to its practices by implementing energy risk management policies.

Golden Spread's generation and load-serving activities in the Electric Reliability Council of Texas and the Southwest Power Pool markets are governed by policies outlining defined risk tolerances and systematic controls, governance and procedures. The Hedge Policy and Plan, Credit Policy, Sanctions Policy and Trading Authority Policy are the primary reference documents governing market activities.

Golden Spread further developed an independent risk management function to provide support and oversight to ensure compliance with the established Board policies. The organizational risk governance includes an Internal Risk Management and Compliance Committee (IRMC) with a membership that includes the entire executive team. The IRMC reports to the Board Risk, Asset and Finance Committee, and ultimately, to the full Golden Spread Board of Directors. Compliance with Board risk policies is reported to the IRMC and Golden Spread Board regularly.

EQUITY/CAPITALIZATION

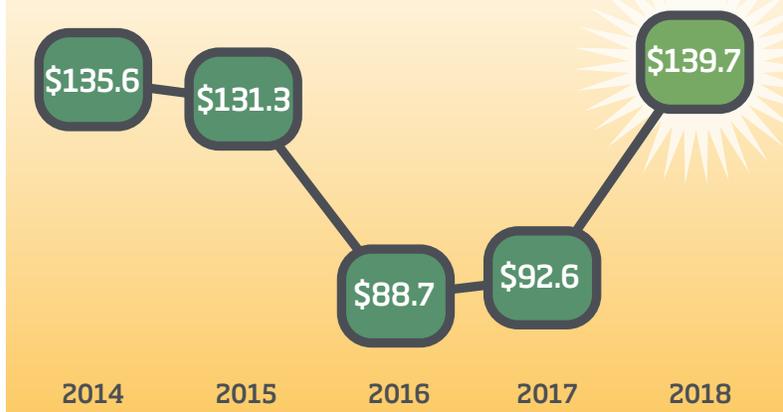
Golden Spread's equity/capitalization ratio has remained stable even during its capital expansion program, which ended in 2016.



CASH LIQUIDITY

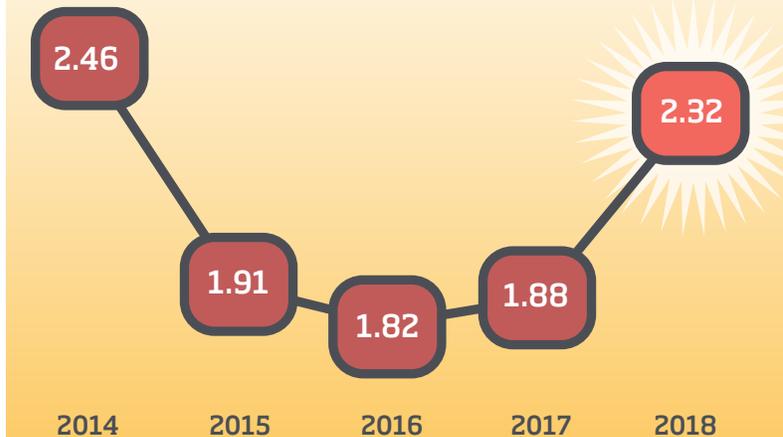
(IN MILLIONS OF DOLLARS)

Cash and cash equivalents fluctuate based on the cash liquidity needed to fund capital expenditures and nonmember sales. Golden Spread targets cash balances of at least 90 days cash operating expenses at all times.



DEBT SERVICE COVERAGE (DSC) RATIO

Golden Spread had planned for its capital expansion by accumulating equity and producing margins. As a result, DSC ratios remain strong despite the increasing debt associated with Golden Spread's capital expansion program. As we completed the generation expansion plan, the Board approved a reduction in the margin. The 2018 DSC was positively impacted by increased nonmember sales margins.



WHOLESALE MARKET GOVERNANCE AND STAKEHOLDER ADVOCACY

Golden Spread is active in governance and stakeholder advocacy in both the Electric Reliability Council of Texas (ERCOT) and the Southwest Power Pool (SPP) markets.

We believe our participation in these efforts benefits Members in two ways. First, through its participation, Golden Spread stays abreast of trends and changes that are being implemented – changes which are important to Golden Spread’s operations and strategic planning. Second, by influencing the process and outcomes, we can help to ensure sound market principles that improve market efficiency and benefit Golden Spread and its Members in both the short term and long term.

For example, Golden Spread’s strategic decision to invest in equipment that allows its generation at Antelope Elk Energy Center to switch between the ERCOT and SPP markets has proven its value to Golden Spread and both markets. That success is in significant part the

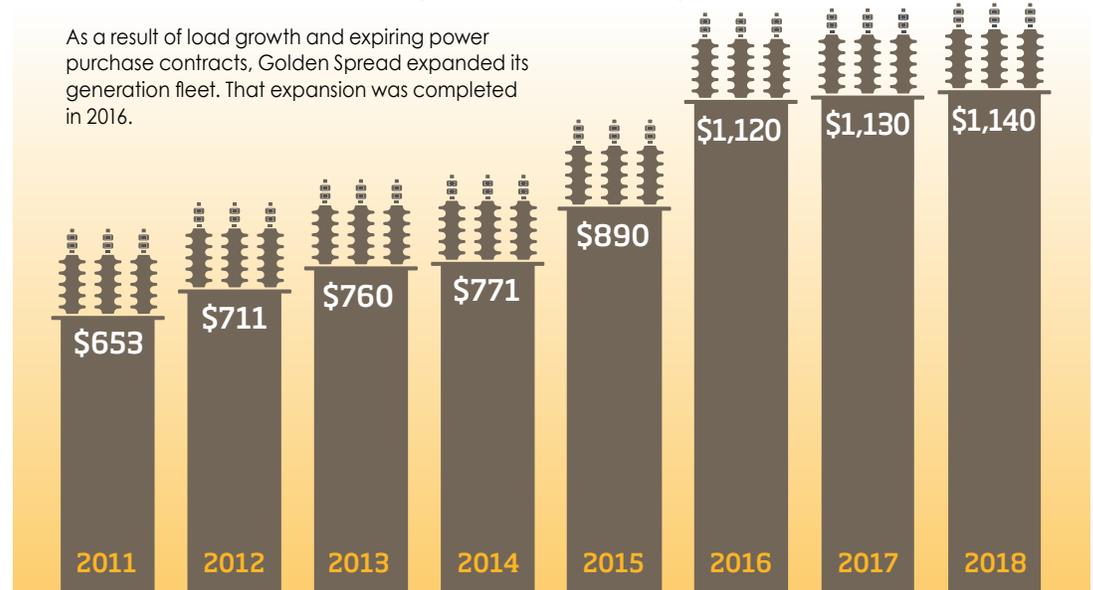
result of Golden Spread working in both markets and facilitating coordination between the two markets to shape the rules that allow flexible operation of our grid switchable generation.

Most recently, Golden Spread’s market participation helped shape two important refinements to market rules and reliability requirements for grid switching. In November 2018, a document titled Operating Policy Principles Concerning Switchable Generation Resources was released expressing a mutual understanding between ERCOT and SPP on the use of switchable generation resources to address emergency conditions. In December 2018, the ERCOT Board of Directors approved a market protocol change to add a switchable generation resource status code to provide additional transparency for operations. Golden Spread supports these new protocols.

Another example is Golden Spread’s participation in the Holistic Integrated Tariff Team created by the SPP in April 2018. This group of experienced

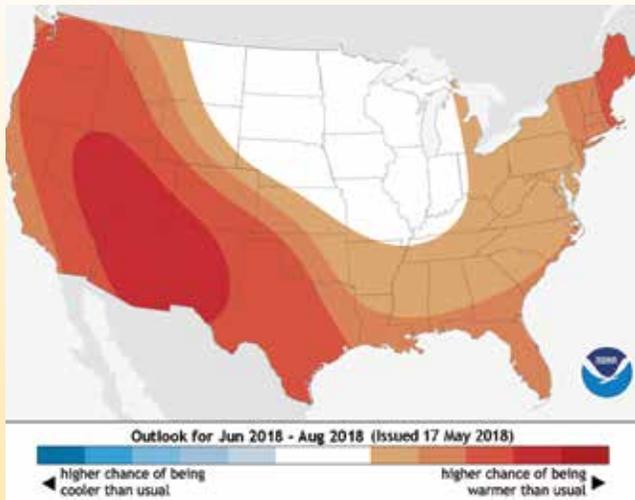
INVESTMENT IN UTILITY PLANT IN SERVICE (IN MILLIONS OF DOLLARS)

As a result of load growth and expiring power purchase contracts, Golden Spread expanded its generation fleet. That expansion was completed in 2016.



professionals selected by the SPP, including Mike Wise from Golden Spread, is currently engaged in a one-year project to find opportunities to make overarching policy changes in the SPP. The central goal is to strategically reform current rules and procedures to create more value for utilities and consumers throughout the 14-state SPP footprint.

The final report on the proposed recommendations will be presented to the SPP Board of Directors for approval in July 2019.



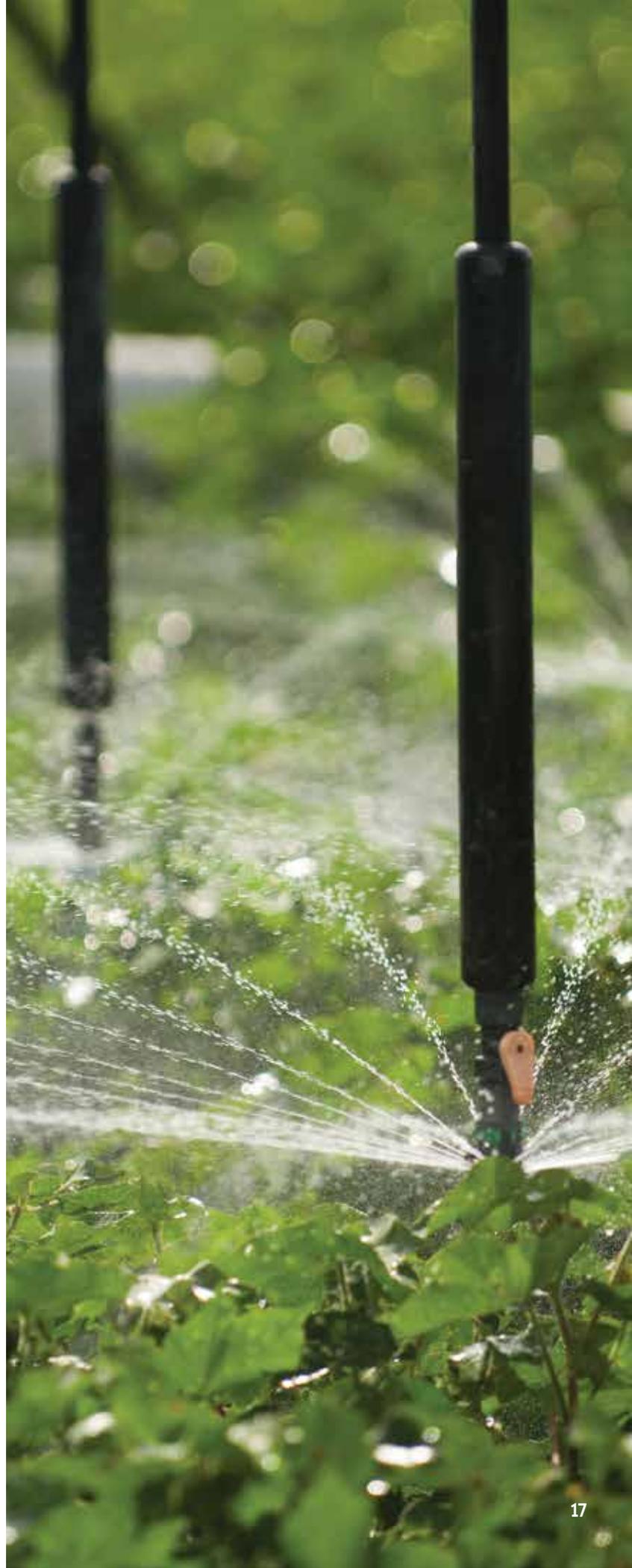
WEATHER TESTS THE ENERGY MARKETS

The weather during the summer of 2018 proved to be a test to the wholesale energy markets overall, but both SPP and ERCOT passed every test.

Texas experienced one of the hottest summers on record, and ERCOT set a new all-time record for system-wide peak demand at around 73,000 MW on July 19, 2018. Despite these record-setting conditions, ERCOT prices remained fairly calm, never hitting the \$9,000 price cap.

Weather for the SPP territory was far more tame than for ERCOT this summer, with a peak that was about 49,000 MW on July 11, 2018, and lower than the peaks of the last two years. Due to the relative calmness of SPP, prices remained largely in check, which allowed Golden Spread to point all grid-switchable units toward ERCOT for the vast majority of the summer.

For the summer of 2019, we see a potential for more opportunities in the ERCOT forward market.



STRENGTHENING OUR CYBERSECURITY

At Golden Spread, our goal is to effectively manage cybersecurity risk by providing resilient, secure and effective system technologies aimed at reducing the impact of business interruption from cybersecurity threats.

In 2018, the Security Operations Center (SOC) diligently worked to improve Golden Spread's cyber incident response capabilities through analysis of prior incidents, incorporating additional industry practices and updating the processes and guidelines used by our cybersecurity operations personnel. These include:

- New communication processes to expedite the stand up of the Cybersecurity Incident Response Team (CIRT)
- Hiring a new cybersecurity analyst capable of in-house investigation and response
- More mature, resilient and responsible disclosure processes to notify our Members and external organizations who may be impacted by an ongoing incident
- New log analysis processes to glean the most from our continuous monitoring toolsets

The energy sector is continuously challenged with managing the risk associated with an ever-growing number of attempts to acquire

sensitive information, often for malicious reasons, by masquerading as a trustworthy entity in electronic communication. Proactive steps to counter this threat have strengthened our defenses against the risk of malicious links and attachments sent via email messages. These include:

- The use of technologies that provides the capability to scan each link. Then, known-bad links will generate an alert to users to protect them from visiting the malicious site.
- A stronger email filtering technology that blocks more malicious emails than ever before, further protecting from this threat.
- The proactive notification of recipients receiving malicious electronic communications once the threat is detected or reported from other users.
- Access to an enhanced threat watchlist in cooperation with the FBI, Homeland Security and the Energy Information Sharing and Analysis Center (E-ISAC).

Furthermore, new technology has been deployed to detect and authenticate users, systems and other devices that are connected onsite and remotely. This ensures that those users and



devices that are meant to have access to Golden Spread are quickly allowed the access needed, while rapidly detecting any device or system that has not been approved. This technology reduces the risk that rogue users and technology equipment pose to our network.

Golden Spread is required to adhere to the Critical Infrastructure Protection (CIP) cybersecurity standards mandated by the North American Electric Reliability Corporation (NERC). Complying with these standards continues to be a top priority. We have advanced our culture of cybersecurity compliance with the prudent use of tools, systems and processes that effectively satisfies the NERC CIP requirements but also builds upon best practices and allows Golden Spread to make better decisions about cybersecurity and compliance risks. This, in conjunction with newly updated security policies, will bolster our efforts at rapidly detecting threats to our operating environments with real-time alerts and other reports being analyzed by the cybersecurity personnel 24/7/365.

Countering the risks and threats associated with cybersecurity will continue to be an ongoing effort that requires diligence, dedication and focus. While it is known that 100% protection is not possible, Golden Spread actively strives to continuously improve the cybersecurity program, effectively managing the ongoing cybersecurity risks facing our industry.







BOARD OF DIRECTORS

Front row, left to right: Roger Blackwelder, Mark McClain, Mark Appling, Cecil Davis, Steve Williams, Kevin Humphreys, Jeff Copeland, Boyd McCamish, Jim Batton, Albert Daniel, Ben Franklin, Clint Gardner, Mike Veazey and Keith Hicks

Back row, left to right: David Marricle, Shad McDaniel, Dwain Tipton, Ryan Bartlett, Bob Fuchs, Randy Mahannah, David Sell, Jimmie Reed, Brent Wheeler, Buff Whitten, Stan McClendon, Shawn Martinez, Zac Perkins, Vick Christian and Dale Ancell

Not pictured: Greg Henley, Tommy Joines and Kelly Lankford



BOARD OF DIRECTORS*



STAN MCCLENDON - Chairman

GREG HENLEY - Vice Chairman

KELLY LANKFORD - Secretary/Treasurer

BAILEY COUNTY ELECTRIC COOPERATIVE

- Keith Hicks
- David Marricle

BIG COUNTRY ELECTRIC COOPERATIVE

- Roger Blackwelder
- Mark McClain

COLEMAN COUNTY ELECTRIC COOPERATIVE

- Bob Fuchs
- Clint Gardner

CONCHO VALLEY ELECTRIC COOPERATIVE

- Jeff Copeland
- Kelly Lankford

DEAF SMITH ELECTRIC COOPERATIVE

- Vick Christian
- Mike Veazey

GREENBELT ELECTRIC COOPERATIVE

- James Batton
- Stan McClendon

LAMB COUNTY ELECTRIC COOPERATIVE

- Kevin Humphreys
- Boyd McCamish

LIGHTHOUSE ELECTRIC COOPERATIVE

- Mark Appling
- Albert Daniel

LYNTEGAR ELECTRIC COOPERATIVE

- Ben Franklin
- Greg Henley

NORTH PLAINS ELECTRIC COOPERATIVE

- David Sell, CPA
- Randy Mahannah, PE

RITA BLANCA ELECTRIC COOPERATIVE

- Shad McDaniel, PE
- Brent Wheeler

SOUTH PLAINS ELECTRIC COOPERATIVE

- Tommy Joines
- Dale Ancell

SOUTHWEST TEXAS ELECTRIC COOPERATIVE

- Steve Williams
- William "Buff" Whitten

SWISHER ELECTRIC COOPERATIVE

- Dwain Strange
- Dwain Tipton

TAYLOR ELECTRIC COOPERATIVE

- Cecil Davis
- Ryan Bartlett

TCEC

- Shawn Martinez
- Zac Perkins

* Directors as of April 1, 2019.

GOLDEN SPREAD OFFICERS

MARK SCHWITZ - President and Chief Executive Officer

JOLLY HAYDEN - Chief Operating Officer (Term of Service: November 2014 - March 2019)

BILL HARRELSON - Assistant Secretary and Chief Legal Officer

SCOTT GROSS - Assistant Treasurer and Chief Financial Officer

MARGARET "PEG" RUPERT - Chief Information, Strategy and Compliance Officer

BOARD RECOGNITION



IN REMEMBRANCE

In recognition of the passing of former Board Member James Beaver, Golden Spread Electric Cooperative extends condolences to his family. Mr. Beaver was a long-time resident of Fluvanna, Texas, where he was a farmer and rancher. His service to the utility industry began in 1976 with appointment to the Midwest Electric Board of Directors, which included a term as President of the Board. He served as an initial Director of the Golden Spread Board from 1984 to 1987. We are thankful for Mr. Beaver's vision, time and commitment to Golden Spread.

IN GRATITUDE

A major strength of Golden Spread is our Board of Directors, comprised of 32 individuals from the 16 Member Systems. Their service and vision provide an immeasurable contribution to our success. Our deepest appreciation goes to four notable Board Members who recently completed their service.



GAYLORD GROCE

Gaylord Groce was elected to the Golden Spread Board of Directors on May 6, 2006. He served on the Golden Spread Audit Committee throughout his tenure. In addition, he currently serves on the Lighthouse Electric Cooperative, Inc. Board of Directors in Floydada, Texas. He has been an important part of its Board for 36 years, serving as President for the past 11 years. Mr. Groce concluded 12 years of dedicated service to Golden Spread on June 19, 2018. His service contributed significantly to the success and development of Golden Spread.

DARRELL STEPHENS

Darrell Stephens was elected to the Golden Spread Board of Directors on April 12, 2000. Mr. Stephens served on several Golden Spread committees including Farm Management, Operations, Asset Operations and Risk, Asset and Finance during his tenure. He also served on the Bailey County Electric Cooperative Association Board of Directors in Muleshoe, Texas, for 30 years and as its President for 21 years. Mr. Stephens concluded his Golden Spread board service on August 28, 2018, after 18 years of devoted service. His knowledge and acumen have greatly benefited Golden Spread.



EARL BROWN

Earl Brown was elected to the Golden Spread Board of Directors on November 12, 2003. Mr. Brown served on several Golden Spread committees, including the Competitive Strategies Committee, the Legislative Committee, the Government Relations Committee and the Political Action Committee during his tenure. He also served on the Lyntegar Electric Cooperative, Inc. Board of Directors in Tahoka, Texas, for 45 years and as its President for 30 years. Mr. Brown concluded his Golden Spread Board term on August 15, 2018, after 15 years of honorable service. Golden Spread thanks Mr. Brown for his steadfast and distinguished service to the Board.

JIMIE REED

Jimie Reed was elected to the Golden Spread Board of Directors on April 12, 2000. Mr. Reed served on several Golden Spread committees including the Risk Management, Asset Operations, Finance and Performance and Salary Review during his tenure. He also served on the Swisher Electric Cooperative Board of Directors in Tulia, Texas, for 27 years. Mr. Reed concluded his time with Golden Spread on March 28, 2019, after 18 years of diligent service that contributed significantly to the advancement and success of Golden Spread.



WE PROUDLY SUPPORT OUR COMMUNITIES

The Community Involvement Committee (CIC) continues to impact the Amarillo and Lubbock areas, as well as the communities served by Golden Spread and its Members, through monetary support and volunteer time.

The Golden Spread Board of Directors provides the CIC with an annual budget to benefit the communities within its Members' service territories. In addition to these funds, Golden Spread employees provide both monetary and in-kind contributions to further the CIC impact.

"Wear Jeans and Support the Community" is a fundraiser supporting CIC-selected Volunteer Fire Departments from each of Golden Spread's Member service territories. Golden Spread employees also participate in a parking program, which directly benefits Meals on Wheels or other senior nutrition programs in Golden Spread's Member service territories.

Since established in 2013, CIC has distributed more than \$250,000.

Golden Spread employees are passionate about serving. In addition to monetary donations, each year Golden Spread employees are provided volunteer hours during regular business hours in service to a CIC-approved organization. More than 50 employees were able to participate in 2018, using nearly 500 volunteer hours.

The CIC has 17 members that coordinate the activities, many of which have served since the CIC was organized. The 2018 CIC officers included Maggie Berry, Chair; Jill Schessler, Vice Chair; Sharla Fowler, Secretary; Chris Koenig, Treasurer; and Stacy Sanning, Board of Directors Liaison. The focus for 2019 is to further the CIC impact through increased volunteer opportunities and participation.





BAILEY PROCTOR
Abilene High School
Taylor Electric Cooperative



EMILY ROBINSON
Robinson Academy
Homeschool
Lyntegar Electric Cooperative



FAITH JENNINGS
Sudan High School
Lamb County Electric Cooperative



LEXI LECROY
Paducah High School
South Plains Electric Cooperative



LYNZZEE KEYS
Sundown High School
Lyntegar Electric Cooperative



REESE SHIELDS
Spearman High School
North Plains Electric Cooperative



SADIE SONNENBERG
Frenship High School
South Plains Electric Cooperative



UZZIAH URQUIZA
Guymon Senior High School
TCEC

DIRECTORS' MEMORIAL SCHOLARSHIP

The Directors' Memorial Scholarship was established in 1991 to honor Directors that served on the Golden Spread Board and were dedicated to the development and advancement of rural electrification.

The scholarships are designated for families who are Member-Consumers of one of Golden Spread's 16 Member cooperatives. More specifically, eligibility is for any Member-Consumer, a spouse or child of a Member-Consumer or a child whose guardian is a Member-Consumer. Recently, the Board increased the number of scholarships from six to eight per year and made technical trade schools eligible.

Student recipients receive a total of \$2,000, providing \$500 for each of four semesters for a

student's first two years. Eight students received scholarships in 2018. More than \$109,000 in scholarship funds have been disbursed to 87 recipients since the first scholarship was awarded in 1995.

Currently, the scholarship fund has a balance of \$162,787 and is administered by Opportunity Plan, Inc., located in Canyon, Texas. Golden Spread makes annual contributions to the fund, in addition to making contributions in memory or in honor of past Board Members. Individual contributions are welcomed and add to the endowment for the scholarship fund.

Visit the Golden Spread website at www.gsec.coop for additional scholarship criteria and information.

TRANSMISSION COST OF SERVICE RATE CASE

Golden Spread filed a new Transmission Cost of Service rate case for our Electric Reliability Council of Texas assets. The filing required a new depreciation study and an engineering functionalization review of the assets. The new rate case was submitted on July 29, 2018.

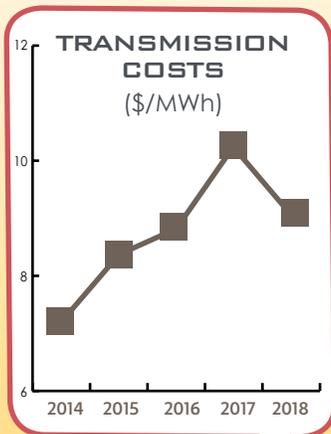
Golden Spread advocated for appropriate cost recoveries for the transmission assets. Our staff supported this advocacy by working with our rate consultant and regulatory counsel to

respond to requests for information from the Public Utility Commission of Texas (PUC) staff and intervenor's inquiries.

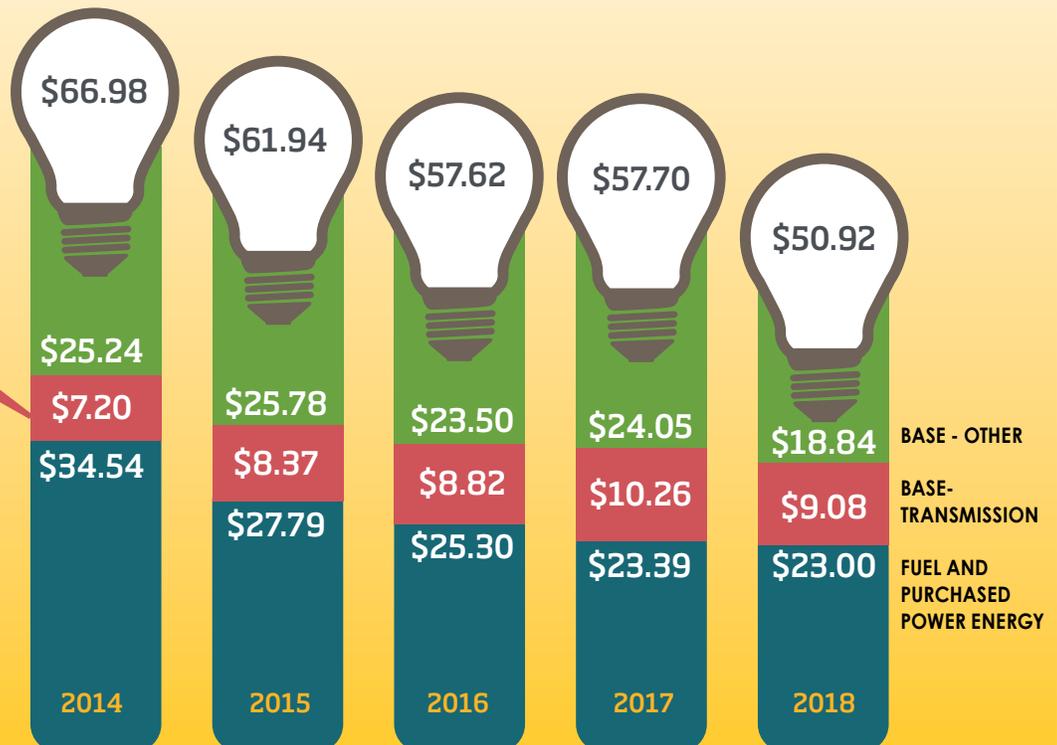
After several rounds of information requests, a settlement was reached with PUC staff and the intervenor. Golden Spread's rate, once approved by the PUC, will be effective during 2019 and will result in an annual increase of \$870,268. Our staff worked hard to achieve the successful completion of this rate case, providing value to our Members.

AVERAGE RATE TO MEMBERS (IN DOLLARS PER MEGAWATT HOURS)

Average rate to Members fluctuates with changes in operating costs, margin requirements, sales volume and fuel and purchased power energy costs. The 2015 rate shown below excludes the impact of the regulatory settlement received.



Golden Spread takes transmission service under regional Open Access Transmission Tariffs and works with regional entities to control costs.



FINANCIAL INFORMATION

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis provides an overview of the consolidated financial condition and results of operations of Golden Spread Electric Cooperative, Inc. (Golden Spread) and its wholly owned operating subsidiaries as of December 31, 2018 and 2017, and for the three years ended December 31, 2018, 2017 and 2016. At December 31, 2018 and 2017, the operating subsidiaries included Golden Spread Panhandle Wind Ranch, LLC (GSPWR) and GSEC Properties, LLC (GSEC Properties). GSPWR owns wind generation assets, and GSEC Properties owns a seven-story office building in which Golden Spread's headquarters are located.

The matters discussed in Management's Discussion and Analysis contain forward-looking statements that are based on estimates, forecasts and assumptions involving risks and uncertainties that could cause actual results or outcomes to differ from those expressed in these statements. Any forward-looking statements are based on information as of the date of this report.

OVERVIEW

Golden Spread

Golden Spread, headquartered in Amarillo, Texas, is a tax-exempt, consumer-owned public utility, organized in 1984 to provide low-cost, reliable electric service for our rural distribution cooperative Members, located in both the Electric Reliability Council of Texas (ERCOT) and the Southwest Power Pool (SPP) regions. Currently, our 16 Members supply power to approximately 300,670 services in place, which represent approximately 240,405 Member-Consumers located in the Panhandle, South Plains and Edwards Plateau regions of Texas, the Panhandle of Oklahoma, small portions of Southwest Kansas and of Southeast Colorado. Six of our Members operate solely in SPP, four operate solely in ERCOT, and six operate in both regions. As not-for-profit rural electric distribution cooperatives owned and managed by their Member-Consumers, Golden Spread's Members are not subject to retail electric rate regulation by regulatory agencies in the states of Texas or Oklahoma, and retail electric rates are not regulated under federal law. Golden Spread, however, is subject to Federal Energy Regulatory Commission (FERC) regulation with respect to the rates it charges its Members for wholesale power supply.

In 2016, Golden Spread completed its transformation from a Generation and Transmission cooperative (G&T), which purchased most of its capacity and energy pursuant to power purchase agreements, to a G&T that owns the majority of its generating capacity. Over the past several years, Golden Spread built and purchased over 1,200 MW and entered into two long-term wind power purchase agreements. This generation expansion plan replaced expiring power purchase agreements, met the growing load requirements of its Members, and added renewables to its generation portfolio. This generation expansion plan required a financial strategy to facilitate raising capital through debt offerings and equity. Golden Spread's Members made a commitment to establishing financial metrics which would be attractive to lenders and to raise equity through margins built into the rates they paid to Golden Spread. We continue to target these established financial objectives:

- Finance 65-70% of capital projects with long-term debt, with remaining amount provided by equity;

- Maintain equity as a percentage of total capitalization of 30-35%;
- Maintain Debt Service Coverage (DSC) ratio of not less than 1.5 times; and
- Maintain cash working capital equal to 90 days cash operating expenses (including interest) for operating liquidity supplemented with credit lines to provide liquidity needed for other purposes, such as capital expenditures and collateral for credit markets.

Golden Spread strives to maintain our power supply plan to deliver competitive energy solutions for our Members. We continually evaluate how best to utilize existing plant capacity and be flexible in how we add resources (e.g. owned and contracted) to our power supply portfolio, while achieving our targeted financial objectives and optimizing the rate charged to our Members.

We earn revenue and generate cash from operations by providing wholesale electric service. Our business is affected primarily by:

- Weather, particularly precipitation timing and amounts, affecting irrigation loads;
- Fuel prices;
- Geographic location in an area with abundant supply of high-capacity wind energy;
- Prices of energy in the markets;
- Farm, oil and gas commodity prices, the primary industries in our Members' service territories;
- Economic conditions;
- Interest rates;
- Golden Spread's securities' credit ratings; and
- Regulation and regulatory matters.

Regulation

To protect and maximize the effectiveness of our power supply strategy, including the value of the physical assets and long-term agreements we have secured, Golden Spread must actively participate and advocate in regional markets and federal and state regulatory proceedings that affect our operations. Within the SPP, Golden Spread's rates for power sales and the rates it pays for purchases of wholesale power and interstate transmission services, which are later passed on to its Members through Golden Spread's wholesale rates, are regulated by FERC. Within the ERCOT region, Golden Spread's rates for wholesale power sales to Members are not subject to FERC jurisdiction, and the rates it pays for purchases of wholesale power and transmission services are regulated by the Public Utility Commission of Texas (PUCT). ERCOT and SPP market rules substantially affect the operations and financial performance of Golden Spread's generation fleet and power supply strategy. Also, other federal and state initiatives, such as those advanced by the Environmental Protection Agency (EPA) and the Texas Commission on Environmental Quality affect Golden Spread's generation fleet.

Golden Spread's rate schedules for sales to its Members are formula rates that allow recovery of all of Golden Spread's costs plus a margin and include the ability to modify margin contribution levels with the Board's approval.

Golden Spread periodically submits amendments to one or more of those rate schedules to FERC for its SPP-based Members. On December 8, 2017, Golden Spread filed amendments to permit it to amortize certain regulatory assets and liabilities within the existing depreciation and amortization expenses, to update delivery points of certain Members, to add an amendment relating to a future resource commitment to a single Member, and to make other ministerial, nonsubstantive changes. This filing was subsequently accepted by FERC in February 2018.

On May 22, 2018, Golden Spread filed an amendment to Tri-County Electric Cooperative, Inc.'s (TCEC) rate schedule. This amendment was accepted by FERC in July 2018. On December 3, 2018, Golden Spread submitted amendments to provide enhanced services to obtain, transfer and retire unbundled renewable energy credits (RECs) on behalf of its Members, and to modify the calculation of certain billing determinants of the rate associated with providing auxiliary backfeed service to participating Member load. Golden Spread requested a January 1, 2019, effective date.

We actively monitor and participate in regulatory proceedings of power, transmission and natural gas suppliers because costs of generation and transmission suppliers ultimately affect costs passed on to our Members. While Golden Spread was able to end its own power purchase agreement with Southwestern Public Service Company (SPS) in mid-2017, we entered into an agreement with TCEC in 2017, and under this agreement, Golden Spread became, as of January 1, 2018, the full-requirements supplier of TCEC's load requirements in a portion of TCEC's service territory in Oklahoma, located at the Texas County and Cole Interchanges, previously served exclusively by SPS. The territory currently consists of approximately 57 MW of load (coincident peak). Part of the agreement included Golden Spread taking assignment of TCEC's power sales agreement with SPS for the remainder of its term. On February 12, 2018, FERC accepted SPS's filed notice of Golden Spread's succession to the TCEC/SPS power sales agreement. Under the terms of a settlement between SPS, TCEC and Golden Spread in a proceeding before the PUCT, as discussed below, the power purchase agreement with SPS is expected to terminate in its entirety on June 30, 2020.

As a power purchase customer of SPS, we will actively participate in proceedings involving charges to serve TCEC's load and which could affect amounts paid by Golden Spread under the TCEC/SPS power sales agreement now assigned to Golden Spread and described above. On December 15, 2017, we intervened in a FERC proceeding initiated by SPS that involved modification to depreciation rates for certain of SPS's generation resources, the net result of which would be an approximate \$158,000/year increase. On January 4, 2018, a settlement was filed with FERC, which would effectively reduce the potential net rate increase by 50%, and which will address the return of excess accumulated deferred income tax (ADIT) produced by the Tax Cuts and Jobs Act of 2017. This proceeding is ongoing.

We also participated in a waiver request submitted by SPS to FERC that will permit SPS to more promptly flow through the reduction to the federal corporate income tax rate, from 35 percent to 21 percent, that was included in the Tax Cuts and Jobs Act of 2017. That reduction in tax rate will offset a large portion of any proposed change to the depreciation rates. The waiver was granted by FERC. Golden Spread is also participating in proceedings involving the pass-through of refunds to SPS by El Paso Natural Gas relating to transportation rates for service dating back to 2011, and a new show cause proceeding initiated by FERC, under which SPS must modify the methodology that it utilizes for calculating Accumulated Deferred Income

Tax (ADIT) balances in its projected test year and annual true-up calculation for each of its transmission formula rates. SPS made compliance filings to implement pass-through refunds to customers as a result of the El Paso Natural Gas proceedings in September 2018, and to implement changes to its calculation of ADIT balances in August 2018. Both compliance filings were accepted by FERC on December 20, 2018.

Golden Spread is also a large transmission customer of SPS through the zonal and regional rates developed by SPS and imposed through the SPP regional open access transmission tariff. In November and December 2018, SPS submitted two rate change filings that could impact rates for service in 2019. First, SPS submitted a rate change filing to (i) modify depreciation rates used to calculate transmission rates; (ii) modify how SPS recovers certain wholesale transmission regulatory commission expense from its customers; (iii) modify the allocation of transmission-specific ADIT; (iv) revise the methodology for calculating ADIT to address excess ADIT caused by the change in the federal corporate income tax rate as part of the Tax Cut and Jobs Act of 2017; and (v) implement a ministerial change to improve the clarity of its formula rate template. SPS requested a February 1, 2019, effective date. The filing, if accepted, will increase its 2019 wholesale transmission service revenues by \$9.4 million, with \$5.0 million being recovered from wholesale transmission customers in the SPP Zone 11 and \$4.5 million being recovered from all other SPP tariff customers through regional rates. The rate increase would affect Golden Spread more than any other customer and is estimated by SPS to be \$2.3 million of the total rate increase.

Second, in December 2018, SPS submitted a rate change filing to modify the existing stated wholesale distribution service charge paid by Golden Spread and Lubbock Power & Light for service at voltages less than 69 kV from a stated rate to a formula rate. The estimated impact of this change is more than a 60% increase in the charge to Golden Spread, or an annual projected increase of approximately \$220,000. Golden Spread is actively participating in and contesting both proceedings.

In addition to SPS proceedings, Golden Spread actively participated in proceedings at FERC involving the transmission rates applicable to American Electric Power (AEP) affiliates, with a particular emphasis on proposed cost allocation of high-voltage transmission infrastructure to support AEP's WindCatcher generation project. As discussed below, in July 2018, after receiving an adverse determination before the Public Utility Commission of Texas, AEP canceled the WindCatcher project. Parties to the proceeding are engaged in settlement negotiations relating to the remainder of AEP's proposed changes to its transmission formula rate.

Golden Spread is participating in other proceedings involving the rates, terms and conditions of transmission service by providers, including Oklahoma Gas & Electric Company and GridLiance High Plains, LLC (GridLiance HP). GridLiance HP, an independent transmission development company and successor in interest to transmission assets formerly owned by TCEC, is seeking the inclusion of its assets in the SPP transmission rate zone of SPS. This proceeding, initiated on August 30, 2018, could increase Golden Spread's transmission costs in excess of \$1.3 million annually. The case has been set for hearing and settlement judge procedures. Finally, Golden Spread participates in FERC proceedings involving natural gas pipelines that serve Golden Spread's Mustang, Antelope and Elk facilities, including proceedings initiated by Northern Natural Gas Company and ONEOK WestTex Transmission, LLC.

Golden Spread is an active participant in FERC proceedings and subsequent appellate review involving terms and conditions for the procurement of transmission services from SPP, as well as the rules governing the operation of the SPP Integrated Marketplace, under which Golden Spread buys and sells services to serve its Member loads. Included in these proceedings are cases that specifically affect transmission rates within the zones of the SPP from which we take service, as well as proceedings that can generally affect market design, cost allocation or other terms and conditions of service.

Golden Spread remains active in FERC's investigation of energy price formation in wholesale energy and ancillary service markets operated by regional transmission organizations (RTOs) and independent system operators (ISOs), such as the SPP Integrated Marketplace, as well as other initiatives that encourage the integration of flexible resources and variable energy resources into those markets. These initiatives should lead to gradual improvements to the efficiency of the SPP market and better reflect the true market value of resources that support the SPP's integration of intermittent renewable resources.

In 2017, Golden Spread submitted comments in FERC's Uplift Cost Allocation Notice of Proposed Rulemaking (RM17-2-000), which led to the issuance of a Final Rule in April 2018. It also submitted comments in FERC's Minimum Pricing Requirements for Fast Start Resources Notice of Proposed Rulemaking (RM17-3-000), largely supporting these FERC-led market initiatives. On December 21, 2017, FERC terminated the Fast Start Resources proceeding and commenced instead individual, market-specific investigations, including into whether SPP's practices regarding the pricing of quick-start resources may be unjust and unreasonable (EL18-35). Golden Spread submitted briefs in this ongoing proceeding in February and March of 2018. On February 15, 2018, FERC issued Order No. 841, with the specific intent of removing barriers to the participation of electric storage resources in the capacity, energy and ancillary service markets operated by organized markets. Golden Spread is actively participating in SPP's compliance associated with Order No. 841, which was filed in December 2018. Comments on the filing were due February 7, 2019.

Golden Spread's advocacy in the aforementioned FERC Rulemakings and in SPP-specific cases focus on rectifying conditions that result in improper price signals in the SPP Integrated Marketplace and inappropriate market valuation of resources so that those resources can appropriately recover their costs. For example, in May 2018, SPP submitted revisions to implement a major maintenance cost component to mitigated Start-Up Offers and mitigated No-Load Offers submitted by generators within the SPP Integrated Marketplace. Golden Spread intervened in support of the SPP's changes. These revisions were subsequently accepted by FERC in October 2018. And on October 23, 2018, SPP submitted tariff revisions to streamline the process by which Frequently Constrained Areas (FCAs) are designated or undesignated. Classification as an FCA can affect bidding and pricing within specified areas. Golden Spread again supported the SPP's changes. The tariff amendments were accepted on December 20, 2018.

Finally, on September 28, 2017, the Secretary of the Department of Energy proposed a rule for final action by FERC, requesting that FERC exercise its authority to establish just and reasonable rates for wholesale electricity sales. Under the Secretary's proposal, FERC would impose rules on RTOs and ISOs to ensure that certain reliability and resilience attributes of electric generation resources are fully valued. The proposed rule generally advances interests of merchant-owned coal and nuclear facilities, but the scope of the rule appears

to be limited solely to the three Eastern RTOs with forward capacity markets. Notwithstanding the fact that the rule does not appear to apply to ERCOT or SPP, Golden Spread commented in opposition to the rule. This proceeding was subsequently terminated in early January 2018 in lieu of a new proceeding to collect information about RTO and ISO market resilience. Golden Spread filed comments in this docket in May 2018.

Golden Spread has also intervened in PUCT and Oklahoma Corporation Commission (OCC) cases that may affect Golden Spread or its Members' interests. Golden Spread opposed SPS's request that the PUCT enter an order finding that SPS has an exclusive right to construct and operate new SPP regionally funded transmission facilities in areas of Texas that lie within SPS's certificated service area. On October 27, 2017, the PUCT rejected SPS's position, concluding that it has authority to grant certificates of convenience and necessity (CCNs) to an entity other than SPS to provide transmission-only service in the SPP, including within SPS's certificated service area. The District Court of Travis County, Texas, affirmed the PUCT's decision. Further appellate review of the PUCT's action is pending.

In 2017, SPS filed a CCN for authority to build new wind farms in Hale County, Texas, and Roosevelt County, New Mexico, with a total 1,000 MW capacity and also enter into a long-term power purchase agreement with NextEra Energy Resources' Bonita Wind Project near Lubbock for 230 MW capacity. SPS estimated the cost of the combined projects at \$4.7 billion over 30 years. The projects would significantly impact SPS's retail rates and its wholesale rates for power supply. Golden Spread, along with its Member TCEC, filed testimony sponsoring studies that question whether the projects will benefit SPS's ratepayers. On February 27, 2018, the parties submitted an agreement resolving all of the issues between the parties to this proceeding. The PUCT issued a final order accepting the settlement on May 25, 2018.

Golden Spread opposed AEP Texas North Company's (AEPTN) application to the PUCT for authority to install, own and operate utility-scale battery facilities as part of its distribution network. Golden Spread intervened in opposition based on concerns regarding the legality of the proposal and potential adverse impact on the ERCOT wholesale power supply market. A PUCT Administrative Law Judge's decision recommended approval of the application. The PUCT considered this at the January 2018 Open Meeting and issued a final order in February 2018, dismissing the application without prejudice and opening a rulemaking proceeding to address the unique issues raised by the application.

In July 2017, Southwestern Electric Power Company (SWEPCO) filed in Texas an application to amend its CCN application to include a 70% interest in a 2,000 MW wind facility and a 380-mile generation tie line connecting the wind facility in the Oklahoma Panhandle to the Tulsa area. Similarly, Public Service Company of Oklahoma (PSO) filed at the OCC for certain rate approvals for the remaining 30% interest in the project. Golden Spread intervened in both proceedings, asking that ratepayers in the SPP be held harmless from the potential roll-in of the generation tie line into the SPP transmission footprint. In February 2018, an Administrative Law Judge in Oklahoma found that PSO had not met its burden under several Oklahoma statutes and recommended that the OCC deny the rate treatments sought in the application. Hearings in the PUCT docket concluded in February, and the Administrative Law Judge recommended the project be approved. The PUCT disagreed and denied approval of a CCN. On July 27, 2018, AEP, parent to SWEPCO and PSO, announced its plans to cancel this project.

In late 2018, Golden Spread intervened in two dockets filed jointly by Sharyland Utilities, LP, and the City of Lubbock, acting by and through Lubbock Power and Light. The filing seeks PUCT approval of two separate CCN projects that will ultimately tie the City of Lubbock into the ERCOT grid. Golden Spread is concerned with the potential for outages at the Abernathy Switching Station if these CCN applications are granted.

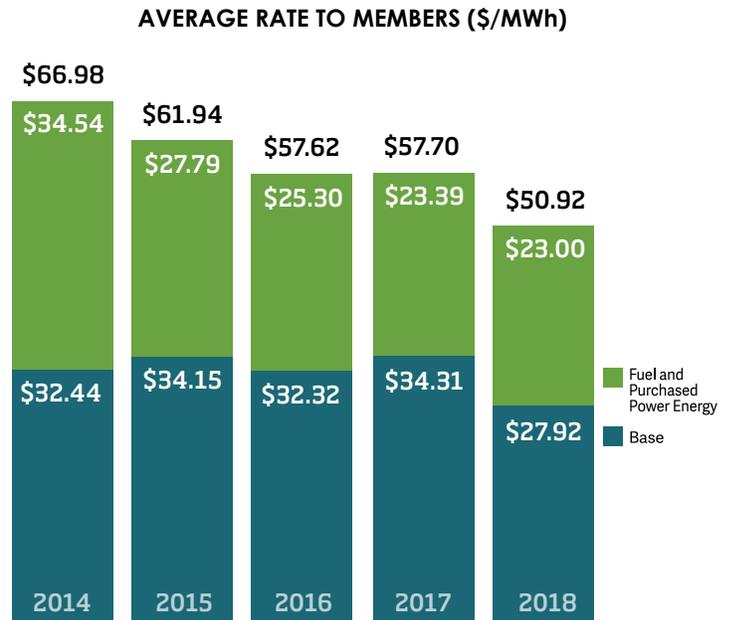
In addition to being engaged in the dockets of other parties, Golden Spread filed two dockets of its own in 2018. In the first, Golden Spread filed an application to amend its CCN for the conversion of Colorado River Municipal Water District's private 69kV transmission line to public use. This line is needed to serve new load in the service territory of Golden Spread's Member Coleman County Electric Cooperative, Inc. There are three intervenors in the case, with only one intervenor, Marion Sansom Ranch, filing direct testimony. The parties agreed in principle to a settlement and are awaiting a final order from the PUCT. The second docket is Golden Spread's application to change its Transmission Cost of Service (TCOS) and Wholesale Transmission Rates filed in June 2018. In its application, Golden Spread asked for expedited approval of an increase to its annual TCOS revenue requirements, as well as seeking to recover its reasonable and necessary rate case expenses and to reduce Taylor Electric Cooperative, Inc.'s TCOS to zero dollars to reflect the transfer of those transmission assets to Golden Spread. The parties were able to reach a settlement and are awaiting a final order from the PUCT.

Golden Spread has supported and continues to support the NRECA's and other parties' legal challenges to the EPA's regulations on greenhouse emissions at 1) existing power plants (Clean Power Plan), and at 2) new, modified and reconstructed plants (New Source Rule). Unlike many other cooperatives, Golden Spread does not own coal-fired generating resources, and thus focuses its engagement in these EPA proceedings on protection of its natural gas-fired generation. These efforts resulted in the successful protection of its new gas-fired combustion turbines at Antelope Elk Energy Center (AEEC) from unreasonable restrictions under the New Source Rule. The U.S. Supreme Court halted implementation of the Clean Power Plan (CPP) by issuing a stay on February 9, 2016. The D.C. Circuit has also granted EPA's motion to hold litigation on both rules in abeyance while the agency reviews and, if appropriate, suspends, revises or rescinds those rules.

With the change of administrations in 2017, the EPA initiatives are largely on hold and anticipated to be substantially reduced or eliminated. On October 16, 2017, EPA published its proposal to repeal the CPP and on December 28, 2017, issued an Advanced Notice of Proposed Rulemaking (ANPRM) to solicit information from the public concerning a replacement CPP rule. Golden Spread submitted comments on EPA's ANPRM advocating against unreasonable restrictions for its gas-fired combustion turbines. On August 31, 2018, EPA published its proposed replacement to the CPP rule. The proposal, entitled the Affordable Clean Energy rule, establishes emission guidelines for states to use when developing plans to limit Greenhouse Gas (GHG) emissions at existing power plants. EPA's proposal does not impose Heat Rate Improvements (HRI) for existing gas-fired combustion turbines. Golden Spread submitted comments supporting EPA's decision not to include HRI for gas-fired turbines and pointed out that the record was not adequate to support changing that determination. To change that aspect of the rule, EPA would need to propose a new, separate rulemaking to allow for public comment and the development of a record.

On December 6, 2018, EPA issued its proposal to revise the New Source Rule. In its proposal, EPA is taking comment on how to address concerns raised by stakeholders regarding the increased use of simple cycle turbines, including as back-up generation for wind and solar resources. However, the EPA is not proposing any changes to gas-turbine requirements at this time. Golden Spread plans to continue its advocacy on gas-turbine regulations.

Rates



We took advantage of low energy prices available in the ERCOT and SPP markets to keep rates low. In 2018, 40.0% of the energy needed to serve our Members' load was purchased from these markets, while in 2017, 39.0% was purchased. We utilize market purchases to reduce Members' rates when market prices are less than our incremental production cost.

Base rates were impacted, in part, due to transmission expenses that have increased in recent years. Both ERCOT and SPP have implemented comprehensive high-voltage transmission construction plans to improve interconnectivity within their respective grids. Transmission expenses for SPP increased from \$51.2 million in 2017 to \$56.5 million in 2018, an increase of 10.3%. In ERCOT, transmission expenses increased from \$13.1 million in 2017 to \$13.9 million in 2018, an increase of 6.1%. Transmission expenses are expected to continue to increase as more of the planned transmission projects are placed in service, however the Tax Cuts and Jobs Act of 2017 reduced transmission revenue requirements for the change from a 35% corporate tax rate to 21%. The tax reductions mitigated otherwise planned increases and continue to impact transmission rates in 2019 as transmission owners implement formula rate updates. For 2019, Golden Spread has budgeted \$77.2 million for transmission expenses compared to 2018 actual costs of almost \$70.4 million.

The primary driver of the decrease in base rates for 2018 as compared to the same time period in 2017 was higher megawatt-hour sales. The 2018 Board-approved Equity Stabilization Charge (ESC) remained steady from 2017 levels, reflecting a completion of the current generation capital expansion plan.

RESULTS OF OPERATIONS

Sales

Sales are summarized in the following table:

SUMMARY OF SALES AND REVENUE

	Years Ended December 31		
	2018	2017	2016
Operating Revenues (\$ in 000s)			
Member Sales	\$ 394,770	\$ 361,325	\$ 373,977
Nonmember Sales	57,910	25,276	23,838
Other	11,545	11,036	10,598
Total Operating Revenues	<u>\$ 464,225</u>	<u>\$ 397,637</u>	<u>\$ 408,413</u>
Megawatt-Hour Sales (MWh in 000s)			
SPP Member Sales	6,064	4,830	5,148
ERCOT Member Sales	1,689	1,432	1,342
Total Member Sales	7,753	6,262	6,490
Nonmember Sales (includes energy and ancillary services sales)	971	957	1,418
Total MWh Sales	<u>8,724</u>	<u>7,219</u>	<u>7,908</u>
Average Rate to Members (\$/MWh)	\$ 50.92	\$ 57.70	\$ 57.62

The increase in 2018 revenues are largely the result of increased Member sales volume and increased average sales price for nonmember sales. For the year ended December 31, 2018, the average rate to Members decreased as compared to the same time period in 2017, due to higher megawatt-hour sales and lowered purchased power capacity costs, offset by higher transmission, plant operations and maintenance, other operating expenses and depreciation costs. Fuel and purchased power energy costs to Members averaged \$23.00 per MWh for 2018, which is lower than the 2017 annual average price of \$23.39 per MWh.

The average fuel and purchased power energy costs are affected by changes in natural gas prices, which averaged \$2.29 per MMBtu for 2018 as compared to the average price of \$2.72 per MMBtu in 2017 (average natural gas prices represent the annual average natural gas prices per MMBtu delivered to Golden Spread's generating stations). The average fuel and purchased power energy costs were also affected by market prices that were, in turn, influenced by natural gas prices and increases in wind energy.

Member megawatt-hour energy sales for 2018 were higher as compared to the same time period in 2017. Member sales were impacted by the additional TCEC load, which was acquired through a competitive bidding process, variability in the oil and gas industry and fluctuations in weather, which affects irrigation sales.

Net Margins

Net margins for 2018 were \$43.1 million as compared to \$17.6 million for 2017. The increase in net margins is due primarily to an increase in nonmember sales margins. A comparison of the components of net margins is set forth in the following table:

	Years Ended December 31		
	2018	2017	2016
<i>Dollars in thousands</i>			
Margins in Member Rates and Other	\$ 15,421	\$ 15,712	\$ 15,782
Nonmember Sales Margins	27,713	5,859	6,577
Impairments and Other Costs	-	(4,000)	(12,310)
Net Margins	<u>\$ 43,134</u>	<u>\$ 17,571</u>	<u>\$ 10,049</u>

Margins included in Member rates are solely a function of the annual Board-approved ESC, which establishes the amount of margins to be included in rates each year. The levels of nonmember sales margins fluctuate in relation to the volume of nonmember sales, natural gas commodity prices and the market prices for energy and ancillary services. When our resources were not needed to serve Members' loads, we sold power into the ERCOT and SPP markets if prices were above our incremental production cost.

In 2018, conditions in ERCOT offered additional nonmember sales value for Golden Spread's grid switchable units. These 2018 ERCOT conditions offered Golden Spread an opportunity to sell into a higher price market consistent with requirements of the markets in which Golden Spread participates.

For 2018 and 2017, other sources of margins include interest earned on cash balances, patronage capital income and a small amount of farm income related to land we own. Interest income is affected in both years due to variations in interest rates and cash balances.

Golden Spread purchased a total of four combustion turbines in 2013 and 2014. Three of these turbines have been placed in service as Elk Station Units 1, 2 and 3 at the Antelope Elk Energy Center. In late 2016, Golden Spread's management determined that there was no longer a definitive plan to put the fourth combustion turbine in service; therefore, this turbine will no longer be classified as plant held for future use. Due to this change in classification, an impairment analysis was conducted at the end of 2017 and 2016. The fair value was based on management's analysis of some historical sales information for similar type equipment. Consequently, we recorded a pretax impairment loss of \$4.0 million and \$12.3 million on the statement of income in 2017 and 2016, respectively. Golden Spread evaluated and determined that additional impairment was not considered necessary in 2018.

Operating Expenses

Operating expenses are summarized in the table below:

	Years Ended December 31		
	2018	2017	2016
<i>Dollars in thousands</i>			
Fuel and Purchased Power Energy	\$ 187,721	\$ 148,780	\$ 170,920
Purchased Power Capacity	7,916	15,001	21,632
Transmission	70,406	64,263	57,219
Plant Operations and Maintenance	30,116	24,903	23,365
Administrative and General	28,703	31,914	30,645
Depreciation	45,926	44,046	39,294
Taxes Other than Income Taxes	9,855	9,825	8,538
Other	14,195	8,810	7,910
Total	<u>\$ 394,838</u>	<u>\$ 347,542</u>	<u>\$ 359,523</u>

The changes in fuel and purchased power energy costs are directly related to volume of sales, fuel costs and the volume of energy purchased under third-party power purchase agreements and net settlements in the ERCOT

and SPP markets. For Member load, we provide the lowest cost resources available. The decrease in purchased power capacity costs in 2018 was primarily attributed to the termination of a power purchase contract in 2017, offset by the addition of a full requirements capacity contract associated with acquiring the new TCEC load.

Transmission costs increased in 2018 compared to 2017 and are expected to continue to increase in the future, although somewhat mitigated by the Tax Cuts and Jobs Act of 2017 as previously discussed in the Rates section of the Overview.

Plant operation and maintenance (O&M) expenses vary from year to year based on a variety of factors ranging from increased operations, schedule of required planned maintenance, maintenance costs resulting from unplanned outages along with other expenses necessary for plant operations. The increase in O&M expenses for 2018 as compared to 2017 was primarily due to higher cost related to the third-party operator for the plant facilities and an increase in planned and unplanned maintenance expenses at Mustang, AEEC and GSPWR facilities mainly due to an increase in the operation of the units. The increase in year-over-year expenses was mitigated somewhat by the GSPWR wind facility renegotiating its turbine service contract.

Administrative and general costs decreased in 2018 as compared to 2017 primarily due to lower outside service cost and lower salary cost, offset by increased property and casualty insurance costs.

Other operating expenses increased with the addition of Regional Transmission Organization (RTO) fees due to termination of long-term ERCOT Power Purchase Agreement and the additional allocated labor costs related to plant oversight as a result of Golden Spread's realignment of its organizational structure.

Depreciation expense increased in 2018 as compared to 2017 due to completion of various capital projects and increased amortization of capitalized maintenance.

Liquidity and Capital Resources

As of December 31, 2018, Golden Spread had available cash and cash equivalents of approximately \$139.7 million. We also had lines of credit totaling \$235.0 million for liquidity purposes, such as the financing of our current capital projects, inventory purchases and for other liquidity needs. As of December 31, 2018, \$0.1 million was borrowed under these credit lines. There are no restrictions, limitations or pledges of cash or any other assets, other than as separately identified on the financial statements and in the footnotes. In May 2017, Golden Spread closed on a four-year line of credit agreement with National Rural Utilities Cooperative Finance Corporation (CFC) for \$80.0 million (downsized from the previous \$125.0 million agreement that was set to expire in August 2017). Also in May 2017, we closed on a new five-year \$50.0 million line of credit with CoBank. In June 2017, we closed on a three-year \$75.0 million line of credit with Bank of America, which replaced the current \$85.0 million agreement that would have expired at the end of 2017. In June 2018, we renewed an unsecured committed line of credit for \$30.0 million from Amarillo National Bank. This line of credit expires June 2020. In addition to the cash balances maintained at each year end, we also had additional borrowing capability of approximately \$234.7 million under the Trust Indenture at December 31, 2018.

Line of Credit Usage

	Years Ended December 31		
	2018	2017	2016
Maximum Amount Borrowed on Lines of Credit (in Millions)	\$ 41.4	\$ 79.9	\$ 75.1
Average Interest Rate	2.89%	2.03%	1.58%

Contractual Obligations at December 31, 2018

The following table details our fixed contractual obligations for 2019 through 2023.

<i>Dollars in thousands</i>	PAYMENTS DUE			
	Total			
	2019-2023	2019	2020-2021	2022-2023
Principal Payments on Long-Term Debt	\$ 128,270	\$ 23,580	\$ 50,372	\$ 54,318
Interest Payments on Long-Term Debt	121,737	26,670	49,959	45,108
Purchased Power Obligations ¹ - Demand	8,254	5,423	2,831	-
Purchased Power Obligations ¹ - Energy	134,731	33,865	53,648	47,218
Firm Gas Transportation	51,996	9,193	22,439	20,364
Long-Term Service and Parts Agreement ¹	15,302	6,000	9,302	-
Wind Ranch Land Lease - Minimum Rent	3,705	741	1,482	1,482
Operating Leases	723	338	237	148
Total	<u>\$ 464,718</u>	<u>\$ 105,810</u>	<u>\$ 190,270</u>	<u>\$ 168,638</u>

¹Based on estimated energy delivered and forecasted pricing

Recognizing the need for equity and liquidity for operations, balanced with the Board's desire to make annual patronage and contributed capital refunds, the Board currently employs a patronage capital retirement policy of refunding annually a percentage of the prior year-end equity balance. In 2019, the Board authorized payment of patronage and contributed capital of \$20.1 million. In March 2018, 2017 and 2016, distributions of \$12.7 million, \$12.5 million and \$8.3 million, respectively, were authorized and paid.

The target ratios and objectives guide management and the Board of Directors in establishing annual budgets, setting rates (including the annual ESC to be included in rates) and determining the level of patronage and contributed capital retirements to our Members. Our financial policies are designed to maintain capital and liquidity sufficient to provide for the financing of any future capital expenditures with an appropriate mix of debt and equity, while maintaining strong financial metrics.

In December 2018, Moody's Investor Services reaffirmed its general corporate credit rating of A2 (unsecured) with a stable outlook. In July 2018, Standard & Poor's Rating Services reaffirmed our rating of A+, with a stable outlook. In July 2017, Fitch Ratings reaffirmed its A rating on our 2005 Series senior secured debt with a stable outlook.

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.:

We have audited the accompanying consolidated financial statements of Golden Spread Electric Cooperative, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income, changes in Members' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Golden Spread Electric Cooperative, Inc. and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2018 in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Albuquerque, New Mexico
April 15, 2019

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31	
	2018	2017
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 1,140,452,780	\$ 1,129,954,197
Capital Maintenance	31,501,386	31,534,324
Construction Work in Progress	1,361,524	2,609,550
Less: Accumulated Depreciation - Plant and Equipment	304,183,504	263,104,691
Less: Accumulated Amortization - Capital Maintenance	19,422,383	15,199,266
Total Utility Plant	\$ 849,709,803	\$ 885,794,114
OTHER PROPERTY AND INVESTMENTS – AT COST OR STATED VALUE		
Investments in Associated Organizations and Special Funds	\$ 5,869,673	\$ 5,461,884
Plant Held for Future Use	1,249,124	1,249,124
Other Property	37,473,281	38,080,094
Total Other Property and Investments	\$ 44,592,078	\$ 44,791,102
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 139,660,084	\$ 92,589,170
Accounts Receivable	28,952,161	32,586,833
Prepaid Capital Maintenance	23,272,673	18,631,850
Prepaid Expenses and Other Current Assets	18,571,288	22,700,040
Total Current Assets	\$ 210,456,206	\$ 166,507,893
OTHER ASSETS		
Deferred Charges	\$ 2,660,969	\$ 2,442,005
Other Charges	1,537,468	4,016,051
Total Other Assets	\$ 4,198,437	\$ 6,458,056
TOTAL ASSETS	\$ 1,108,956,524	\$ 1,103,551,165
MEMBERS' EQUITY AND LIABILITIES		
MEMBERS' EQUITY		
Patronage Capital	\$ 442,612,986	\$ 411,842,157
Contributed Capital	10,879,579	11,216,286
Total Members' Equity	\$ 453,492,565	\$ 423,058,443
LONG-TERM DEBT		
Mortgage Notes Less Current Maturities	\$ 562,566,733	\$ 581,339,360
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 23,440,632	\$ 22,344,042
Line of Credit	149,724	13,530,447
Accounts Payable	22,699,746	20,929,169
Other Accrued Expenses	41,153,687	36,414,534
Total Current Liabilities	\$ 87,443,789	\$ 93,218,192
DEFERRED CREDITS		
Asset Retirement Obligation	\$ 3,945,015	\$ 3,780,561
Other Deferred Credits	1,508,422	2,154,609
Total Deferred Credits	\$ 5,453,437	\$ 5,935,170
TOTAL MEMBERS' EQUITY AND LIABILITIES	\$ 1,108,956,524	\$ 1,103,551,165

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31

	2018	2017	2016
OPERATING REVENUES			
Wholesale Power Sales	\$ 452,679,833	\$ 386,600,271	\$ 397,814,973
Other Operating Revenues	11,545,119	11,036,374	10,597,776
Total Operating Revenues	<u>\$ 464,224,952</u>	<u>\$ 397,636,645</u>	<u>\$ 408,412,749</u>
OPERATING EXPENSES			
Purchased Power	\$ 113,527,058	\$ 98,226,554	\$ 139,876,082
Fuel Expense	82,109,504	65,554,632	52,676,262
Transmission Expense	70,406,233	64,263,404	57,218,781
Other Power Supply Expense	1,469,870	883,917	669,327
Plant Operations and Maintenance	28,645,964	24,017,982	22,696,108
Other Operating Expense	14,194,602	8,810,303	7,910,003
Administrative and General	28,702,738	31,914,404	30,645,139
Depreciation and Amortization	45,926,443	44,045,970	39,293,738
Taxes Other than Income Taxes	9,855,429	9,824,918	8,537,439
Total Operating Expenses	<u>\$ 394,837,841</u>	<u>\$ 347,542,084</u>	<u>\$ 359,522,879</u>
OPERATING MARGINS – BEFORE FIXED CHARGES	<u>\$ 69,387,111</u>	<u>\$ 50,094,561</u>	<u>\$ 48,889,870</u>
FIXED CHARGES			
Short-Term Interest	\$ 1,069,781	\$ 1,306,386	\$ 679,890
Interest on Long-Term Debt	26,946,163	27,578,730	29,075,937
Allowance for Borrowed Funds Used During Construction	-	-	(2,863,785)
Amortization of Debt Issuance Costs	139,379	139,379	153,893
Total Fixed Charges	<u>\$ 28,155,323</u>	<u>\$ 29,024,495</u>	<u>\$ 27,045,935</u>
OPERATING MARGINS – AFTER FIXED CHARGES	<u>\$ 41,231,788</u>	<u>\$ 21,070,066</u>	<u>\$ 21,843,935</u>
NONOPERATING MARGINS			
Interest and Capital Credit Income	\$ 2,963,449	\$ 1,944,422	\$ 1,384,075
Asset Impairment	-	(4,000,000)	(12,309,775)
Gain (Loss) on Disposition of Property	-	-	12,000
Other Expense	(1,061,115)	(1,443,002)	(880,802)
Total Nonoperating Margins	<u>\$ 1,902,334</u>	<u>\$ (3,498,580)</u>	<u>\$ (11,794,502)</u>
NET MARGINS	<u>\$ 43,134,122</u>	<u>\$ 17,571,486</u>	<u>\$ 10,049,433</u>

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	<u>PATRONAGE CAPITAL</u>	<u>CONTRIBUTED CAPITAL</u>	<u>TOTAL</u>
BALANCE DECEMBER 31, 2015	\$ 404,440,228	\$ 11,797,296	\$ 416,237,524
Net Margins - 2016	\$ 10,049,433	\$ -	\$ 10,049,433
Patronage/Contributed Capital Retirement	<u>(8,064,756)</u>	<u>(235,244)</u>	<u>(8,300,000)</u>
BALANCE DECEMBER 31, 2016	\$ 406,424,905	\$ 11,562,052	\$ 417,986,957
Net Margins - 2017	\$ 17,571,486	\$ -	\$ 17,571,486
Patronage/Contributed Capital Retirement	<u>(12,154,234)</u>	<u>(345,766)</u>	<u>(12,500,000)</u>
BALANCE DECEMBER 31, 2017	\$ 411,842,157	\$ 11,216,286	\$ 423,058,443
Net Margins - 2018	\$ 43,134,122	\$ -	\$ 43,134,122
Patronage/Contributed Capital Retirement	<u>(12,363,293)</u>	<u>(336,707)</u>	<u>(12,700,000)</u>
BALANCE DECEMBER 31, 2018	<u>\$ 442,612,986</u>	<u>\$ 10,879,579</u>	<u>\$ 453,492,565</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Margins	\$ 43,134,122	\$ 17,571,486	\$ 10,049,433
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities			
Depreciation and Amortization	46,795,334	44,878,159	40,064,561
Loss (Gain) on Disposition of Property and Other Write-Offs	784,444	464,325	(12,000)
Asset Impairment	-	4,000,000	12,309,775
Capital Credits	(1,042,403)	(1,040,401)	(896,362)
Changes in Assets and Liabilities			
Deferred Charges	(310,457)	685,777	(14,338)
Other Charges	2,478,583	(322,915)	151,813
Deferred Credits	257,841	890,558	86,413
Accounts Receivable	2,730,643	(55,980)	(5,570,011)
Prepayments and Other Current Assets	(5,377,739)	(7,517,744)	2,198,678
Payables and Other Accrued Expenses	6,509,730	1,190,895	(17,319,765)
Net Cash Provided by Operating Activities	\$ 95,960,098	\$ 60,744,160	\$ 41,048,197
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to Utility Plant	\$ (5,504,961)	\$ (5,380,878)	\$ (65,909,697)
Proceeds from Sale of Assets	-	13,223	19,000
Additions to Other Property and Plant Held for Future Use	(122,700)	(631,580)	(629,997)
Investments in Other and Short-Term Investment Securities	-	(37,776,664)	(25,300,000)
Maturity of Other and Short-Term Investment Securities	-	60,558,546	27,193,415
Investments in Associated Organizations and Other	634,615	576,379	691,852
Net Cash (Used in) Provided by Investing Activities	\$ (4,993,046)	\$ 17,359,026	\$ (63,935,427)
CASH FLOWS FROM FINANCING ACTIVITIES			
Retirement of Patronage and Contributed Capital	\$ (12,700,000)	\$ (12,500,000)	\$ (8,300,000)
Payments on Long-Term Debt	(22,563,380)	(21,438,671)	(50,562,250)
Advance on Long-Term Debt - Special Facilities	4,747,965	11,339,479	3,220,363
Borrowings - Line of Credit	320,605,037	401,297,364	346,769,664
Repayments - Line of Credit	(333,985,760)	(430,120,745)	(308,935,555)
Net Cash Used in Financing Activities	\$ (43,896,138)	\$ (51,422,573)	\$ (17,807,778)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	\$ 47,070,914	\$ 26,680,613	\$ (40,695,008)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR			
	92,589,170	65,908,557	106,603,565
CASH AND CASH EQUIVALENTS – END OF YEAR			
	\$ 139,660,084	\$ 92,589,170	\$ 65,908,557
Supplemental Disclosures			
Interest Paid During the Year	\$ 27,874,745	\$ 29,153,107	\$ 28,667,936

Noncash Investing and Financing Transactions:

In 2018, Golden Spread had three significant noncash transactions: transfer of \$3,424,849 from inventory to utility plant; asset write-off of \$103,460 and transfer of prepaid capital maintenance to capital maintenance in the amount of \$595,363 to account for 2018 maintenance activities.
In 2018, notes payable in the amount of \$379,532 were refinanced to long-term debt.

In 2017, Golden Spread had three significant noncash transactions: equipment impairment of \$4,000,000 in other property; asset write-offs of \$753,647 in accounts receivable and deferred charges and transfer of prepaid capital maintenance to capital maintenance in the amount of \$3,758,844 to account for 2017 maintenance activities.
In 2017, notes payable in the amount of \$11,339,479 were refinanced to long-term debt.

In 2016, Golden Spread had three significant noncash transactions: equipment impairment of \$12,309,775 in other property; transfer of equipment from inventory to plant of \$1,392,794 and transfer of prepaid capital maintenance to capital maintenance in the amount of \$2,346,457 to account for 2016 maintenance activities.
In 2016, notes payable in the amount of \$1,825,403 were refinanced to long-term debt.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

1. Organization and Operations

Golden Spread is a consumer-owned public utility, organized in 1984 to provide low cost, reliable electric service for our rural distribution cooperative Members. The consolidated balance sheets include the accounts of Golden Spread Electric Cooperative, Inc. (Golden Spread) and its wholly owned operating subsidiaries, Golden Spread Panhandle Wind Ranch, LLC (GSPWR) and GSEC Properties, LLC (GSEC Properties), at December 31, 2018 and 2017. The consolidated statements of income, changes in Members' equity and cash flows for 2018, 2017 and 2016 include the accounts of Golden Spread and its wholly owned operating subsidiaries, GSPWR and GSEC Properties. Another subsidiary, Mid-Tex Generation and Transmission Electric Cooperative, Inc. (Mid-Tex) has no operations at this time. The consolidated entity is collectively referred to as "Golden Spread." Golden Spread's headquarters are located in Amarillo, Texas.

Golden Spread's Members are 16 rural electric distribution cooperatives that provide service to their retail Member-Consumers in the Panhandle, South Plains and Edwards Plateau regions of Texas, in the Panhandle of Oklahoma, small portions of Southwest Kansas and of Southeast Colorado. The Member loads served by Golden Spread are located in the Electric Reliability Council of Texas (ERCOT) and the Southwest Power Pool (SPP) regions.

Golden Spread is subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) for corporate and rate regulation related to its activities in SPP, and is subject to the regulation of the Public Utility Commission of Texas for certain activities in both ERCOT and SPP. GSPWR is subject to FERC jurisdiction.

2. Summary of Significant Accounting Policies

The accounting records of Golden Spread are maintained in accordance with U.S. generally accepted accounting principles (GAAP) and the accounting system prescribed by FERC for electric utilities.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Golden Spread and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

(b) Operating Revenues

Under the Golden Spread tariff for sales to its Members, Golden Spread bills its Members monthly based on budgeted costs and metered usage. The tariff provides that there will be a reconciliation of actual costs incurred to the amounts billed. Amounts billed to Members in excess of or less than recoverable costs under rate tariffs are accrued as an addition or reduction of revenues and as a current asset or current liability to the Members on the consolidated balance sheet. At December 31, 2018, \$16.6 million was over collected from Members and at December 31, 2017, \$0.1 million was under collected from Members.

Golden Spread also has sales of energy to nonmembers that are billed monthly and sales of energy to nonmembers through the ERCOT and SPP Integrated Marketplaces that are settled daily or weekly depending on the market.

Other operating revenues consist primarily of special facilities charges billed to Members for use of transmission and distribution assets.

All amounts receivable from Members and nonmembers are considered collectible; therefore, no allowance is recorded.

(c) Utility Plant

Utility plant is stated at original cost. The capitalized cost of additions to utility plant includes the cost of material, contract services and various other indirect charges, such as interest on funds used during construction. Retirements or other dispositions of utility plant are based on historical cost or other valuation methods that are deducted from plant and are charged to accumulated depreciation. If determinable, the gains and losses on the disposition of certain assets have been reflected on the income statement. The cost of repairs and minor renewals is charged to maintenance expense in the period incurred.

Depreciation of utility plant is provided using straight-line depreciation rates over the following estimated useful lives:

Production Plant	15 - 30 Years
Transmission and Distribution Plant	6 - 36 Years
Gas Interconnections	15 Years
General Plant	3 - 10 Years

(d) Allowance for Borrowed Funds Used During Construction (AFUDC)

AFUDC represents the cost of interest capitalized during the construction period. AFUDC was zero in 2018 and 2017. In 2016, interest of \$2.9 million was capitalized as part of the costs of Elk Station Units 2 and 3 and the Grid Switching Project which represented an average interest rate of 3.96%.

(e) Debt Issuance Costs

Debt issuance costs are amortized using the effective-interest method over the life of the underlying debt. Debt issuance cost, net of amortization, of \$1.9 million and \$2.0 million for 2018 and 2017, respectively, are presented as a reduction of the carrying amount of long-term debt.

(f) Cash and Cash Equivalents

For purposes of the consolidated financial statements, Golden Spread considers cash and investments with an original maturity of 90 days or less as cash and cash equivalents.

(g) Inventory

Inventories are stated at cost and are included in prepaid expenses and other current assets in the accompanying balance sheets. Supervisory Control and Data Acquisition (SCADA) inventory are stated using the first-in, first-out method. The plant spare parts inventories are stated using the weighted average cost method.

(h) Other Property

At December 31, 2018 and 2017, other property includes land, water rights, generation equipment and a seven-story office building in which Golden Spread's headquarters are located.

(i) Regulatory Assets and Liabilities

Golden Spread defers certain expenses that will be recovered through Golden Spread's future rates in accordance with GAAP applicable to rate-regulated enterprises. Regulatory assets would be charged as an expense, if and when future recovery in rates of that asset is no longer probable.

(j) Concentrations of Credit Risk

The Member cooperatives are largely dependent on agricultural industry usage and, to a lesser extent, oil and gas industry usage.

Golden Spread maintains cash balances with various financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, cash balances may exceed insurance coverage. Golden Spread also maintains cash balances with two cooperative banks whose deposits are not federally insured.

(k) Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Income Taxes

Golden Spread is a cooperative corporation that is tax-exempt under Internal Revenue Code Section 501(c)(12) as long as 85% of its gross receipts (as defined) are derived from sales to Members. For each of the three years ended December 31, 2018, 2017 and 2016, the 85% test was met.

Golden Spread's wholly owned current and former subsidiaries, GSPWR and FCGS, are taxable as C corporations under the Internal Revenue Code. GSEC Properties is a single-member LLC and is a disregarded entity for income tax purposes.

Golden Spread has adopted the "uncertain tax positions" provisions of GAAP. The primary tax positions of Golden Spread are its filing status as a tax-exempt entity and its need to avoid exceeding a certain percentage of its income from nonmembers to maintain its tax-exempt status. Golden Spread has determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service or other state taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities. For the years ended December 31, 2018 and 2017, Golden Spread paid no income taxes.

Golden Spread and each of its current or former wholly owned subsidiaries, except GSEC Properties (whose income, as a pass-through entity, was reported on Golden Spread's tax return) file separate income tax returns in the U.S. federal jurisdiction. Golden Spread is no longer subject to income tax examinations by federal taxing authorities for years before 2015.

(m) Fair Value Measurements

Golden Spread utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Golden Spread determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. Assessing the significance of a particular input to the fair value measurement requires judgment considering factors specific to the asset or liability. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Golden Spread has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included with Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

3. Asset Impairment

Golden Spread purchased a total of four combustion turbines in 2013 and 2014. Three of these turbines have been placed in service as Elk Station Units 1, 2 and 3 at the Antelope Elk Energy Center. In late 2016, Golden Spread determined that there was no longer a definitive plan to put the fourth combustion turbine in service; therefore, this turbine will no longer be classified as plant held for future use. Due to this change in classification, an impairment analysis was conducted at the end of 2017 and 2016. Golden Spread determined the fair

value of the turbine based on historical sales data for similar assets (Level 3 observation). Consequently, Golden Spread recorded a pretax impairment loss of \$4.0 million and \$12.3 million on the consolidated statement of income in 2017 and 2016, respectively. Golden Spread evaluated and determined that additional impairment was not considered necessary in 2018 due to the ability to use the turbine as spare parts during future maintenance and recover the cost through rates.

4. Utility Plant

The components of utility plant are summarized as follows:

	December 31	
	2018	2017
Plant in Service:		
Land	\$ 2,826,034	\$ 2,826,034
Production Plant	970,650,250	966,585,546
Transmission and Distribution Plant	141,238,347	134,996,929
General Plant	25,738,149	25,545,688
Total Electric Plant in Service	<u>\$1,140,452,780</u>	<u>\$1,129,954,197</u>
Capital Maintenance	31,501,386	31,534,324
Construction Work in Progress	1,361,524	2,609,550
Total Electric Plant	<u>\$1,173,315,690</u>	<u>\$1,164,098,071</u>

At December 31, 2018 and 2017, construction work in progress consisted primarily of construction expenditures related to production, transmission and distribution plant.

Transmission and distribution plant consist of assets that Golden Spread constructs or acquires for the benefit of individual Members. The debt associated with special facilities is secured by mortgages with National Rural Utilities Cooperative Finance Corporation (CFC) on the transmission and distribution plant.

Transmission and distribution plant are excluded from the Trust Indenture (note 9) under which other Golden Spread property is pledged. All operating costs and the related debt service costs of transmission and distribution plant are recovered from the Members that benefit from the facilities.

5. Cash and Cash Equivalents

Cash and cash equivalents are summarized as follows:

	December 31	
	2018	2017
Cash	\$ 8,392,868	\$ 9,744,288
Commercial Paper		
and Certificate of Deposit	27,674,041	27,735,398
CFC Select Notes	102,175,504	55,008,543
CFC Daily Fund Investment	1,417,671	100,941
Total Cash and Cash Equivalents	<u>\$ 139,660,084</u>	<u>\$ 92,589,170</u>

Cash and cash equivalents are recorded at cost, which approximates fair value. The commercial paper and certificate of deposit matured by January 26, 2019 and had interest rates ranging from 2.45% to 2.60%. The CFC Select Notes matured by February 25, 2019 and had interest rates ranging from 2.53% to 2.77%. The CFC daily fund investments earn interest at a variable interest rate (2.25% at December 31, 2018).

6. Long-Term Service and Parts Agreement

Golden Spread has a long-term service and parts supply and parts repair agreement (LTSPA) covering certain Mustang Station Units to provide service and labor for major maintenance of generation equipment, certain parts and refurbishment services, other spare parts at discount prices and other factory repair services. The LTSPA has a base fee for each gas turbine, with provisions for index adjustments and operational adjustments. Golden Spread made

payments of \$5.4 million, \$4.8 million and \$4.7 million in 2018, 2017 and 2016, respectively. The associated maintenance costs under this agreement are accounted for by expensing a portion of the cost related to yearly monitoring and diagnostic services and the remainder of the cost is recorded using the deferral method of accounting and are recorded as capital maintenance in the accompanying consolidated balance sheets when the related maintenance services are performed. The amounts paid in advance, other than the annual expense amount, are recorded in the prepaid maintenance account (\$23.3 million and \$18.6 million at December 31, 2018 and 2017, respectively) until the maintenance services have been performed. Once the maintenance services have been performed, the associated cost is transferred to capital maintenance and amortized over the maintenance interval for the associated type of maintenance.

The term of the LTSPA will expire after the earlier of the 23rd anniversary of the LTSPA in 2024, or the completion of the third major inspection (expected to take place during the years 2021 and 2022) for the applicable gas turbine (based upon current manufacturer's recommendations); however, the spare parts discounts and factory repair services will remain in effect through the 23rd anniversary of the LTSPA.

7. Deferred and Other Charges

Golden Spread is subject to the provisions of FASB Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*. Regulatory assets represent probable future revenue to Golden Spread associated with certain costs that will be recovered from Members through the ratemaking process.

Deferred and Other Charges consist of the following:

	December 31	
	2018	2017
Deferred Charges:		
Regulatory Assets	\$ 1,677,382	\$ 1,671,787
Preliminary Survey and Investigation	533,827	533,827
Other Deferred Charges	449,760	236,391
Total Deferred Charges	<u>\$ 2,660,969</u>	<u>\$ 2,442,005</u>
Other Charges:		
Prepaid Pension	1,448,704	1,810,880
Supplemental Pension	88,764	2,205,171
Total Other Charges	<u>\$ 1,537,468</u>	<u>\$ 4,016,051</u>

Regulatory assets consist of \$1.6 million of deferred expenses associated with the Special Facility Assets (SFA), which are being amortized, by participating Member system, over the average remaining life of those assets. In addition, \$0.1 million of unamortized prior service cost related to the Executive Benefit Restoration Plan is being amortized over the average future working lifetime of plan participants, see note (13).

8. Derivative Instruments and Hedging

Golden Spread routinely enters into physical commodity contracts for purchases of natural gas, energy and capacity sales contracts with its Members. These types of contracts qualify for the normal purchases and normal sales exception under GAAP.

In addition, Golden Spread periodically purchases Financial Transmission Rights (FTR) to manage future cash flows from congestion in energy markets. FTRs are purchased from ERCOT or SPP and the value is derived from congestion revenues on a transmission path. These derivatives do not meet the normal purchases and normal sales exception and are recorded at fair value in the prepaid expenses and other current assets section of the balance sheet. Any gains or losses are recorded as an adjustment to purchased power expense and accrued as over or under recovery of revenue as allowed under Golden Spread's formula rate.

Golden Spread's FTR assets are valued based on forward pricing from current auctions for the same paths. FTR values are affected by many factors, including generation and transmission schedules that have less observable inputs, therefore, these are assigned as Level 3 fair value measurement.

Changes in Level 3 FTR derivatives are as follows:

	December 31	
	2018	2017
Balance at January 1	\$ 2,139,944	\$ 756,536
Purchases	3,560,349	2,441,096
Settlements	(3,891,860)	(1,285,980)
Net gains recognized as Purchased Power Expense	288,709	228,292
Balance at December 31	<u>\$ 2,097,142</u>	<u>\$ 2,139,944</u>

9. Long-Term Debt

Long-term debt is summarized as follows:

	December 31	
	2018	2017
5.75% Senior Secured Notes, due through 2025	\$ 24,995,900	\$ 28,087,900
5.00% Senior Secured Note, due through 2043	68,396,724	69,790,753
4.95% Senior Secured Notes, due through 2041	131,660,511	134,685,517
4.35% Senior Secured Notes, due through 2031	185,626,424	196,059,112
3.93% Senior Secured Note, due through 2045	18,624,259	19,022,970
3.82% Senior Secured Notes, due through 2045	37,317,714	38,120,662
3.75% Senior Secured Note, due through 2045	37,295,582	38,104,650
3.50% - 7.60% Fixed Rate Mortgage Notes, due through 2050	82,477,398	79,898,445
Variable Rate Mortgage Notes, due through 2047	1,475,733	1,915,652
Debt Issuance Costs	(1,862,880)	(2,002,259)
	<u>\$586,007,365</u>	<u>\$603,683,402</u>
Less Current Maturities	23,440,632	22,344,042
	<u>\$562,566,733</u>	<u>\$581,339,360</u>

Golden Spread and Prudential Investment Management, Inc. (Prudential) executed a two-year shelf financing arrangement on January 9, 2015. This agreement expired in January 2017. Golden Spread and CFC executed a similar two-year shelf financing arrangement on January 23, 2015. This financing arrangement with CFC was extended one year and expired in January 2018. Golden Spread and CoBank executed a similar two-year shelf financing agreement on May 7, 2015. This agreement expired in May 2017. These shelf financing arrangements facilitated an expedited process for Golden Spread to borrow funds and for Prudential, CFC and/or CoBank to loan funds, assuming that each party independent of the other party decides to pursue such a transaction. No party had any obligation to borrow or loan funds pursuant to these agreements. These financing arrangements established terms and conditions, maximum financing capacity and a process by which Golden Spread could request rate quotes, and Prudential, CFC and/or CoBank, respectively, could provide rate quotes, if Prudential, CFC and/or CoBank choose to do so. This process related to rate quotes allowed each party to make a decision about whether or not to borrow or loan funds. Any notes issued pursuant to these financing arrangements would be secured under Golden Spread's Trust Indenture.

On February 18, 2015, Golden Spread locked in a rate of 3.82% for a \$40.0 million 30-year level payment, amortizing loan with Prudential. This loan closed on March 16, 2015. On February 19, 2015, Golden Spread locked in a rate of 3.75% for a \$40.0 million 30-year level payment, amortizing loan with CFC. This loan closed on March 18, 2015. On May 15, 2015, Golden Spread locked in a rate of 3.93% for a \$20.0 million loan with CoBank. This loan closed on June 10, 2015. For these three transactions, Golden Spread used \$110.0 million of its bondable additions. The proceeds were used for

general corporate purposes, including, but not limited to, refinancing short-term liquidity.

All the senior secured notes are fully amortizing over the term of the loans.

The other senior secured notes are first mortgage obligations issued by Golden Spread in August 2011 and May 2005, through private placement offerings and in July 2013 with CFC. The senior secured notes are secured under a Trust Indenture, amended and restated as of June 29, 2012, as supplemented (the Trust Indenture). Pursuant to the Trust Indenture, Golden Spread has created a first lien on certain tangible and intangible assets in favor of the indenture trustee to secure debt issued under the Trust Indenture on a pro rata basis. Golden Spread's subsidiary issues notes under a trust indenture substantially identical to the Trust Indenture. These notes constitute "Qualifying Securities" under the Trust Indenture and are assets of Golden Spread. These Qualifying Securities may be "Designated Qualifying Securities" or "Undesignated Qualifying Securities" under the Trust Indenture. In the case of Designated Qualifying Securities, Golden Spread issues debt under the Trust Indenture on the basis of the Designated Qualifying Securities, and the Designated Qualifying Securities have the same terms as the Golden Spread debt. At December 31, 2018, Designated Qualifying Securities of \$59.4 million related to GSPWR remained under the Trust Indenture.

Assets held under the Trust Indenture totaled \$938.2 million at December 31, 2018, and includes land, production plant, plant related general plant, plant held for future use and Designated Qualifying Securities of GSPWR (eliminated in consolidation), as reported on the consolidated balance sheets. The Trust Indenture requires Golden Spread to establish and collect rates for the use or the sale of the output, capacity or service of its system that, together with other revenues available to Golden Spread, are reasonably expected to yield a Margins for Interest Ratio of at least 1.10 for each fiscal year. The Trust Indenture also contains restrictions on distributions by Golden Spread to its Members. The supplemental indenture under which the 2005 senior secured notes were issued contains certain other covenants. These covenants include the maintenance of (i) patronage capital and contributed capital in an amount of not less than \$50.0 million and (ii) a debt service coverage ratio of not less than 1.25. At December 31, 2018 and 2017, Golden Spread had met all requirements of the Trust Indenture.

At December 31, 2018, Golden Spread had sufficient assets, including Qualifying Securities under the indenture to issue approximately \$234.7 million in additional debt.

The variable and fixed rate mortgage notes are due in either monthly or quarterly installments and are secured by Golden Spread's transmission and distribution assets (with a net book value of \$80.7 million and \$77.7 million at December 31, 2018 and 2017, respectively) and the revenues recoverable through the special facilities charges associated with the transmission and distribution assets. These assets are excluded from the Trust Indenture, and the variable and fixed rate mortgage notes are not secured under the Trust Indenture. GSEC Properties assets are also excluded from the Trust Indenture.

As of December 31, 2018, annual maturities of long-term debt for the next five years are as follows:

2019	\$23,440,632
2020	24,448,783
2021	25,644,440
2022	26,777,038
2023	27,261,947

10. Short-Term Credit Facilities

Borrowings under short-term credit facilities are summarized as follows:

	December 31	
	2018	2017
Borrowings under Lines of Credit at Weighted Average Rates of 2.89% and 2.03% at December 31, 2018 and 2017, respectively	\$ 149,724	\$ 13,530,447

In May 2017, Golden Spread closed on a four-year line of credit agreement with CFC for \$80 million (downsized from the previous \$125 million agreement that was set to expire in August of 2017). This agreement bears interest at LIBOR plus a credit spread for the four-year term. This line of credit is also available to provide letters of credit. In May 2017, a \$10.0 million letter of credit was issued under this arrangement. There were no borrowings outstanding under this line of credit at December 31, 2018 or 2017.

In June 2017, Golden Spread closed on a three-year \$75 million, unsecured line of credit with Bank of America, which replaced the current \$85 million agreement that would have expired at the end of 2017. This agreement bears interest at LIBOR plus a credit spread for the three-year term. Borrowings under this line of credit at December 31, 2018 and 2017, were \$0.0 million and \$13.1 million, respectively.

In May 2017, Golden Spread closed on a new five-year \$50 million line of credit with CoBank. Golden Spread utilized the CoBank facility to post a \$35 million letter of credit with ERCOT for the increased credit requirements associated with ERCOT market operations. This agreement bears interest at LIBOR plus a credit spread for the five-year term. There were no borrowings outstanding under this line of credit at December 31, 2018 or 2017.

In June 2016, Golden Spread renewed, for \$30.0 million (previously \$60.0 million), its unsecured committed line of credit from Amarillo National Bank that has interest at LIBOR plus a credit spread. This line of credit would have originally expired June 2018. This line of credit was renewed and expires June 2020. Borrowings under this line of credit at December 31, 2018 and 2017, were \$0.1 million and \$0.4 million, respectively.

11. Asset Retirement Obligation

The FASB issued ASC Subtopic 410-20, *Asset Retirement and Environmental Obligations*. FASB ASC Subtopic 410-20 provides accounting requirements for costs associated with the legal obligations to retire long-lived assets. Under FASB ASC Subtopic 410-20, the asset retirement obligation is recorded at fair value in the period in which it is incurred by increasing the carrying amount of the long-lived asset. In each subsequent period, the liability is accreted and the capitalized costs are depreciated over the useful life of the asset.

GSPWR adopted this statement effective with commercial operation date of the wind turbines. GSPWR's asset retirement obligation is associated with the obligation to restore the land leased site to a "green field" condition, as stated in its lease agreement. The net asset retirement obligation, which is reported in deferred credits in the accompanying 2018 and 2017 consolidated balance sheets, and the changes in the net liability for the years ended December 31, 2018 and 2017, are as follows:

	December 31	
	2018	2017
Beginning Balance	\$ 3,780,561	\$ 3,622,962
Accretion Expense	164,454	157,599
Ending Balance	<u>\$ 3,945,015</u>	<u>\$ 3,780,561</u>

12. Income Taxes

At December 31, 2018 and 2017, GSPWR had a cumulative financial income of \$2.8 million and \$1.6 million, respectively, and a cumulative federal tax loss carryforward of \$44.4 million and \$39.4 million, respectively, (due partially to a permanent difference related to Treasury Section 1603 50.0% basis increase, but also to temporary differences due to tax depreciation). These tax loss carryforwards expire between 2031 and 2038. The current tax expense for 2018 and 2017 was zero. The deferred income tax expense for 2018 and 2017 was \$1.3 million and \$1.3 million, respectively, using the corporate statutory rate of 21.0%. The related deferred tax assets for 2018 and 2017 of \$9.3 million and \$8.3 million, respectively, computed using the corporate statutory rate of 21.0%, have been fully reduced by a valuation allowance for the amount net of other deferred tax liabilities related to

depreciation for 2018 of \$4.9 million and for 2017 of \$3.7 million, based on expected net realizable value. Therefore, no deferred tax asset or liability has been recognized.

13. Pension Benefits

Golden Spread provides pension benefits for substantially all its employees through the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program (RS Plan). The RS Plan is a defined-benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. Golden Spread makes contributions to the RS Plan as required by the plan agreement. This multiemployer plan is available to all member cooperatives of NRECA. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers. Golden Spread's contributions to the RS Plan in 2018 and in 2017 represented less than 5% of the total contributions made to the RS Plan by all participating employers. Golden Spread's contributions to the RS Plan were \$2.5 million in 2018, 2017 and 2016. There have been no significant changes that affected the comparability of total employer contributions for 2018, 2017 or 2016. In the RS Plan, a "zone status" determination is not required and, therefore, not determined under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was more than 80% funded on January 1, 2018 and 2017 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

At the December 2012 meeting of the Insurance and Financial Services Committee (the Committee) of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period. On March 29, 2013, Golden Spread made a prepayment of \$3.6 million to the RS Plan. Golden Spread is amortizing this amount over 10 years.

Golden Spread has a NRECA deferred compensation plan, Pension Restoration Plan (PR Plan), to provide supplemental retirement benefits for certain highly compensated employees. At December 31, 2018 and 2017, the liability associated with the deferred compensation plan was \$80,000 and \$52,000, respectively. Such amounts are included in deferred credits in the accompanying consolidated financial statements.

In addition, under the NRECA-sponsored deferred compensation plan, Golden Spread has been required to make contributions to NRECA to offset the ultimate funding of the liability by Golden Spread. Investments of \$89,000 and \$2.2 million are included in other charges in the accompanying consolidated financial statements at December 31, 2018 and 2017, respectively. Upon the vesting of any employees who are participants in the plan, Golden Spread

will fully fund any liability to the employee, and NRECA will provide Golden Spread with a credit of an equal amount, which will be used to reduce Golden Spread's required future contributions to the defined-benefit pension plan discussed in the first paragraph of this section. This plan was closed to new participants in 2014.

Golden Spread also has a defined-contribution plan (the Saving Plan) which was established under Code Section 401(k) of the Internal Revenue Code. Under the Savings Plan, Golden Spread matches employee contributions up to a maximum of 4.0% of each participating employee's salary. Employer contributions to the plan for the years ended December 31, 2018, 2017 and 2016 were \$0.4 million for each year.

Golden Spread, in 2018, added a new unfunded nonqualified deferred compensation plan, Executive Benefit Restoration Plan (the EBR Plan) for certain highly compensated employees that were not in the PR Plan. The EBR Plan provides benefits for compensation that is in excess of the limits applicable to the RS Plan. Distributions from this plan are funded directly by Golden Spread upon vesting of eligible employees. At December 31, 2018, the liability associated with the EBR Plan was \$0.2 million. Such amounts are included in deferred credits in the accompanying consolidated financial statements. Periodic benefit costs of \$0.1 million were recorded in 2018.

14. Significant Customers

Golden Spread has four Members whose power purchases typically represent at least 10% of Golden Spread's annual power sales to its Members. For each of the three years ended December 31, 2018, 2017 and 2016, sales to South Plains Electric Cooperative, Inc. represented 14% to 15% of sales to Members (12% to 13% of total sales) and sales to Deaf Smith Electric Cooperative, Inc. represented 10% to 11% of sales to Members (8% to 9% of total sales). In the same periods, sales to Lyntegar Electric Cooperative, Inc. represented 10% to 12% of sales to Members (8% to 9% of total sales) and sales to Tri-County Electric Cooperative, Inc. represented 9% to 12% of sales to Members (7% to 11% of total sales).

15. Commitments and Contingencies

Golden Spread was a party to a long-term Replacement Power Sales Agreement (RPSA) with Southwestern Public Service Company (SPS), a wholly owned subsidiary of Xcel Energy, which would have terminated on April 30, 2019. Golden Spread was able to permanently reduce to zero its fixed contract capacity and energy purchases under this RPSA effective May 31, 2017.

Golden Spread separately entered into an agreement with its Member, Tri-County Electric Cooperative, Inc. (TCEC) in 2017, and under this agreement, Golden Spread will become the future full-requirements supplier of a portion of TCEC's service territory in Oklahoma located at the Texas County and Cole Interchanges, which had been historically served exclusively by SPS. The territory currently consists of approximately 57 MW of load (coincident peak). Part of the agreement included Golden Spread taking assignment of TCEC's long-term power sales agreement with SPS, effective January 1, 2018, for the remainder of its term. On February 12, 2018, the FERC accepted SPS's filed notice of Golden Spread's succession to the TCEC/SPS power sales agreement. Golden Spread, in conjunction with TCEC, has given notice to SPS under the agreement to reduce purchases from SPS commencing in 2019, as permitted by the agreement. Under the terms of settlement between SPS, TCEC and Golden Spread in a proceeding before the Public Utility Commission of Texas, the power purchase agreement with SPS is expected to terminate on June 30, 2020.

Golden Spread served its Members' loads in ERCOT with power purchased pursuant to two partial-requirements wholesale power agreements with AEP Energy Partners, Inc. (AEPEP) that commenced on January 1, 2014 and terminated on May 31, 2017.

Golden Spread is obligated under a 20-year power purchase agreement to purchase all the energy produced by a 105.8 MW wind farm located in central Oklahoma, which began commercial operation in December 2012. Golden Spread's obligation requires payment of a fixed rate per megawatt-hour for all energy produced. The rate remains the same through the termination of the contract in 2032.

Golden Spread is obligated under a 20-year power purchase agreement to purchase all the energy produced by a 100.3 MW wind farm located in northwest Oklahoma, which began commercial operation in December 2014. Golden Spread's obligation requires payment of a fixed rate per megawatt-hour for all energy produced through the termination of the contract in 2034.

Golden Spread is also obligated under several long-term power purchase agreements with certain of its Members and with third party suppliers to purchase renewable energy in SPP and ERCOT regions. These power purchase agreements total approximately 8 MW and have terms of varying lengths, terminating from 2025 through 2042.

On September 13, 2016, Golden Spread's Mustang Station Unit 3 (steam turbine generator) suffered damages to the intermediate pressure/low pressure section of the steam turbine. Repairs were made and the unit was put back in service on February 15, 2017. Golden Spread settled the insurance claim related to this event. In addition to the property claim, Golden Spread lost the use of Unit 3, which is the steam unit in its 2x1 combined cycle plant, for approximately 155 days. Golden Spread has business interruption (BI) insurance related to the loss of this generator. Golden Spread filed a BI claim for this outage period. During 2017, Golden Spread recovered BI proceeds of \$12.2 million, which were recorded as a reduction of purchased power expense, for the loss of this generator during the outage period.

On June 8, 2017, Golden Spread's Mustang Station Unit 3 (steam turbine generator) tripped offline due to a high vibration alarm. Upon inspection, damages were found, which required repair. The cost of repair was approximately \$1.5 million. Unit 3 experienced a 37-day outage as a result of this issue and returned to service on July 15, 2017.

On June 23, 2017, while performing maintenance on Mustang Station Unit 4 generation step up transformer, the maintenance crew found internal damage to the transformer from a draw lead that had begun to fail. The damaged transformer was replaced by a spare transformer. Golden Spread has incurred \$2.3 million in cost related to this outage. Golden Spread has a comprehensive insurance policy and settled this claim in 2018.

In 2018, Golden Spread entered into a Contingent Purchase and Sale Agreement for the purchase of a 12.6 mile 69 kV transmission line from Colorado River Municipal Water District for \$3.5 million. This agreement is contingent upon Golden Spread receiving regulatory approvals from the Public Utility Commission of Texas (PUCT) to amend its Certificate of Convenience and Necessity to convert the line into the public use. A final order from the PUCT has not been granted at this time.

16. Leases

Golden Spread has several operating leases as outlined in the table below.

In December 2016, Golden Spread entered into a lease to provide data centers.

The lease amounts for 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Lubbock Office Space	\$ 118,500	\$ 118,500	\$ 118,500
Wind Ranch Land Lease - Minimum Rent	740,874	712,498	712,498
Wind Ranch - Production Royalty Payments	194,775	179,363	197,147
Data Centers	228,413	221,760	14,596
Total	<u>\$1,282,562</u>	<u>\$1,232,121</u>	<u>\$1,042,741</u>

The lease for the Lubbock office space is from April 1, 2013 through March 31, 2023. The data centers lease is a 36-month lease, expiring in November 2019, and has an option to renew for an additional six-month term. The future lease payments are listed below:

	Data Centers	Lubbock Office	Wind Ranch Land Lease
2019	\$ 219,781	\$ 118,500	\$ 740,874
2020	-	118,500	740,874
2021	-	118,500	740,874
2022	-	118,500	740,874
2023	-	29,625	740,874

Golden Spread's subsidiary, GSPWR, has 34 wind turbines that were installed on land that has nine separate land leases. Upon commencement of commercial operations in September 2011, and the beginning of the first extended lease term, GSPWR is obligated to pay land lease payments comprising minimum rent payments and production royalty payments of 4.0% to 6.0% of production that exceed the minimum rent payments.

17. Other Accrued Expenses

Other accrued expenses at December 31, 2018 and 2017 are as follows:

	2018	2017
Accrued Taxes	\$ 8,476,326	\$ 8,318,586
Accrued Interest	7,042,918	7,351,413
Member Refunds	17,160,613	11,626,342
Accrued Plant Operating Expenses	4,883,862	4,607,092
Other	3,589,968	4,511,101
Total Other Accrued Expenses	<u>\$ 41,153,687</u>	<u>\$ 36,414,534</u>

18. Subsequent Events

Golden Spread's management has evaluated subsequent events through April 15, 2019, the date at which the consolidated financial statements were available for issue. No other events have occurred that meet the criteria for disclosure set forth by the FASB ASC.

5-YEAR SUMMARY OF CONDENSED FINANCIAL DATA AND STATISTICAL INFORMATION

	2018	2017	2016	2015	2014
CONDENSED CONSOLIDATED INCOME STATEMENT DATA (000)					
Operating Revenues	\$ 464,225	\$ 397,637	\$ 408,413	\$ 373,173	\$ 515,653
Operating Expenses					
Fuel, Purchased Power and Transmission	\$ 266,043	\$ 228,046	\$ 249,771	\$ 221,929	\$ 346,047
Plant Operations and Maintenance	28,646	24,018	22,696	24,252	19,793
Administrative and General	28,703	31,914	30,645	27,812	26,885
Depreciation and Amortization	45,926	44,046	39,294	33,668	38,089
Taxes Other Than Income Taxes	9,855	9,825	8,537	7,008	5,663
Other Operating Expenses	15,665	9,694	8,580	10,070	9,306
Total Operating Expenses	\$ 394,838	\$ 347,543	\$ 359,523	\$ 324,739	\$ 445,783
Operating Margins - before Fixed Charges	\$ 69,387	\$ 50,094	\$ 48,890	\$ 48,434	\$ 69,870
Fixed Charges	28,155	29,024	27,046	25,455	26,331
Operating Margins - after Fixed Charges	\$ 41,232	\$ 21,070	\$ 21,844	\$ 22,979	\$ 43,539
Nonoperating Margins	1,902	(3,499)	(11,795)	5,345	(11,594)
Net Margins	\$ 43,134	\$ 17,571	\$ 10,049	\$ 28,324	\$ 31,945
CONDENSED CONSOLIDATED BALANCE SHEET DATA (000)					
Utility Plant, net	\$ 849,710	\$ 885,794	\$ 922,391	\$ 892,070	\$ 730,157
Other Property and Investments	44,592	44,791	48,370	60,462	135,027
Cash, Cash Equivalents and Short-Term Investment Securities	139,660	92,589	88,709	131,297	135,579
Other Current Assets	70,796	73,919	69,005	68,923	61,957
Other Assets	4,199	6,458	7,110	8,467	11,511
Total Assets	\$ 1,108,957	\$ 1,103,551	\$ 1,135,585	\$ 1,161,219	\$ 1,074,231
Total Members' Equity	\$ 453,493	\$ 423,058	\$ 417,987	\$ 416,238	\$ 395,914
Long-Term Debt, excluding current maturities	\$ 562,567	\$ 581,339	\$ 593,235	\$ 611,307	\$ 540,071
Current Liabilities	87,444	93,219	118,031	127,070	131,218
Deferred Credits	5,453	5,935	6,332	6,604	7,028
Total Liabilities	\$ 655,464	\$ 680,493	\$ 717,598	\$ 744,981	\$ 678,317
Total Members' Equity and Liabilities	\$ 1,108,957	\$ 1,103,551	\$ 1,135,585	\$ 1,161,219	\$ 1,074,231
OTHER FINANCIAL AND STATISTICAL DATA					
Energy Sales					
Energy Sales to Members (MWh)	7,753,192	6,262,561	6,490,018	6,291,738	6,928,717
Energy Sales to Nonmembers (MWh) (1)	970,829	957,709	1,418,165	554,860	877,076
Total Energy Sales (MWh)	8,724,021	7,220,270	7,908,183	6,846,598	7,805,793
Member Peak Demand (MW)	1,688	1,518	1,550	1,472	1,538
Member System Load Factor (%)	52.40	47.10	47.68	48.47	51.43
Energy Generated (MWh) (2)	4,159,596	3,720,786	3,862,033	1,412,824	3,008,848
Energy Purchased (MWh) (2)	4,642,571	4,088,207	4,410,519	5,575,815	4,981,174
Average Rate to Members (\$/MWh)	\$ 50.92	\$ 57.70	\$ 57.62	\$ 61.94	\$ 66.98
Average Natural Gas Commodity Price (\$/MMBtu)	\$ 2.29	\$ 2.72	\$ 2.30	\$ 2.76	\$ 4.50
Financial Ratios					
Equity/Capitalization (%)	44	41	39	38	39
Debt Service Coverage (DSC) Ratio	2.32	1.88	1.82	1.91	2.46
Debt/Funds Available for Debt Service	5.00	6.53	8.29	7.29	5.60
Days Cash on Hand	136	102	93	150	114

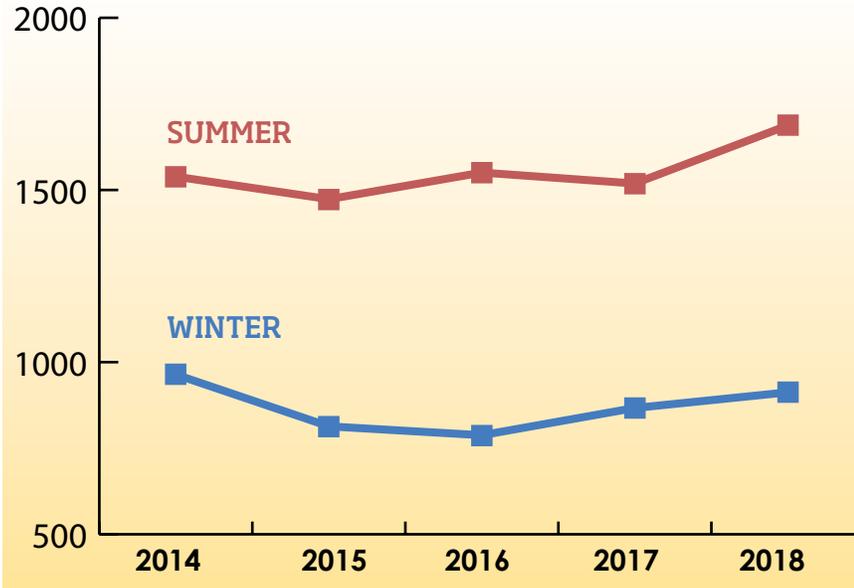
(1) Includes energy and ancillary services sales

(2) Includes ancillary services for Member load

ENERGY AND FINANCIAL CHARTS

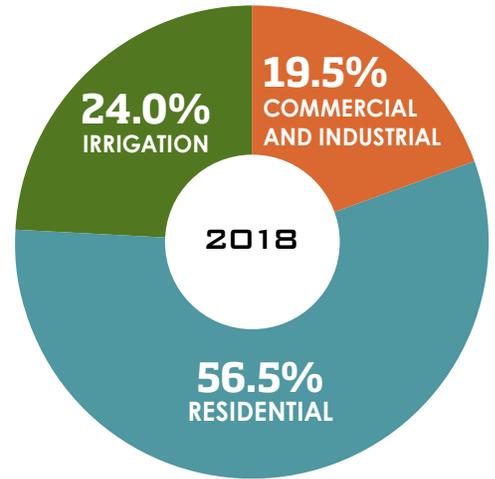
COINCIDENT DEMAND (Megawatts)

Peak loads are affected by weather conditions and general load growth in the Members' service territories. Peak loads increased in 2014 due to load growth and drought conditions. In 2015, 2016 and 2017, Members experienced an increase in rainfall, reducing the irrigation load.



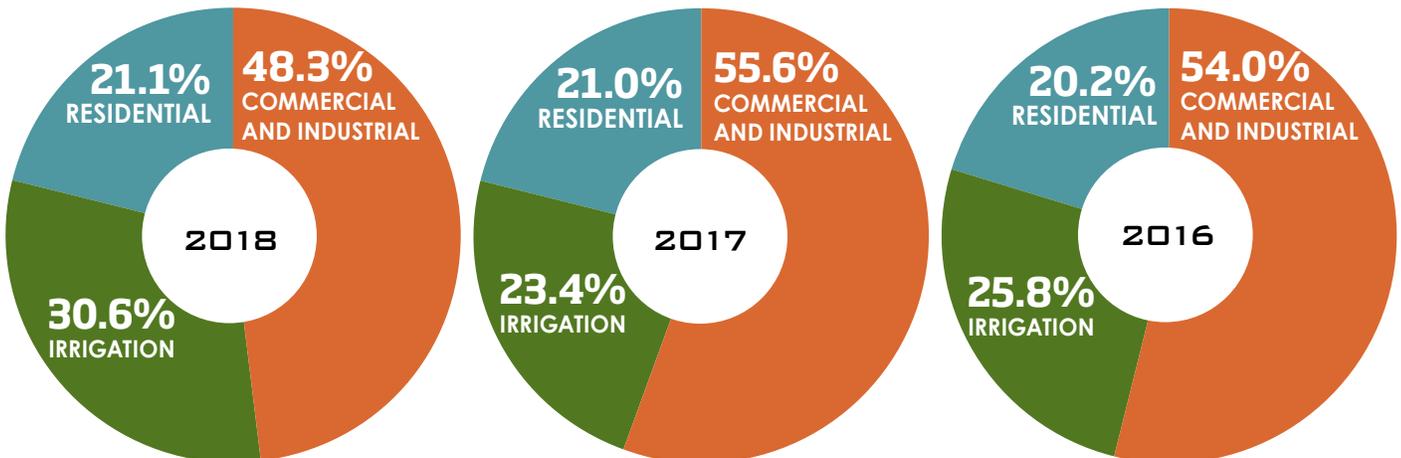
RATE CLASSIFICATION

The composition of Member-Consumers by rate classification remains stable from year to year.



USAGE BY RATE CLASSIFICATION

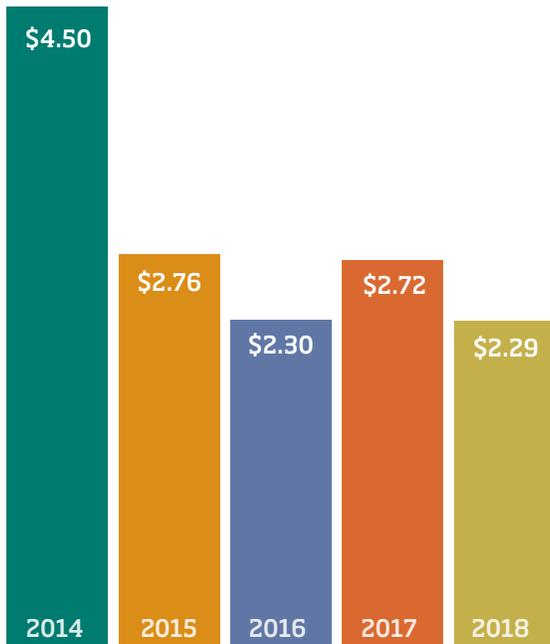
Weather conditions affect the mix of energy sales by classification – particularly the level of irrigation sales, which generally ranges from 20% to 30% of total sales. The territory had near-normal rainfall in 2016, resulting in near-normal irrigation sales; extremely cool and wet conditions in 2017 resulted in lower irrigation sales; and drought conditions prior to and during the growing season led to strong irrigation sales in 2018.



AVERAGE NATURAL GAS COMMODITY PRICE

(\$/MMBtu)

Natural gas prices have a direct effect on Members' rates.



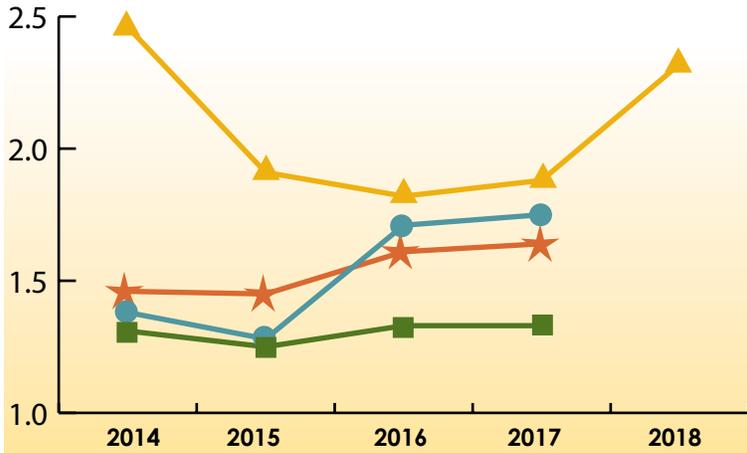
AVERAGE RATE TO MEMBERS

(\$/MWh)

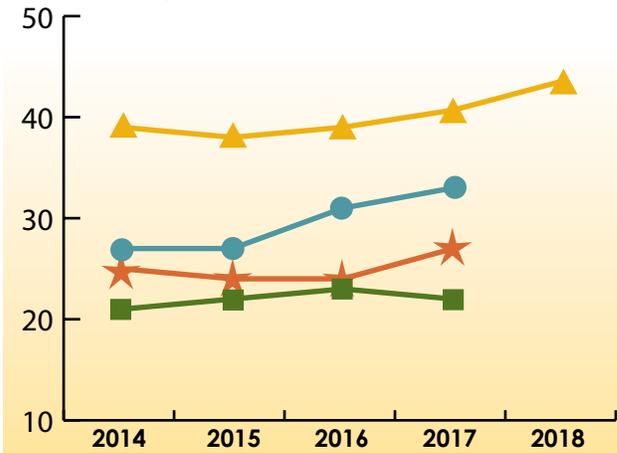
Base rates have ranged from \$27.92/MWh to \$34.31/MWh over the past five years. Fuel and purchased power energy costs ranged from \$23.00/MWh to \$34.54/MWh. In 2015, a FERC-approved regulatory settlement, resulting in a refund of \$7.13/MWh, is not included in rate.



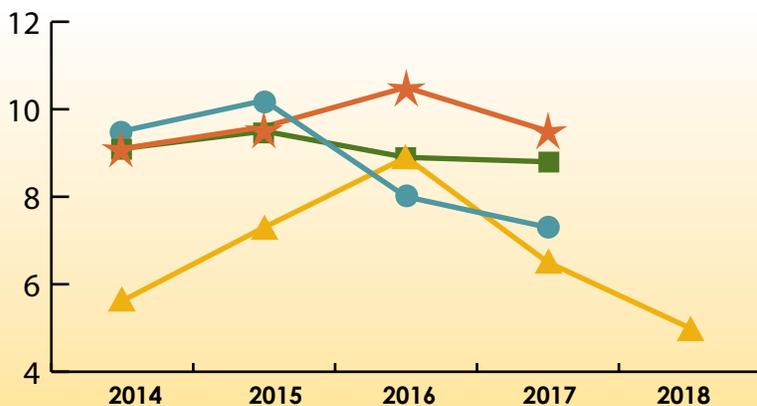
DEBT SERVICE COVERAGE (DSC) RATIO*



EQUITY-TO-CAPITALIZATION (%)*



DEBT-TO-FUNDS AVAILABLE FOR DEBT SERVICE (FADS)*



- G&Ts rated A+ and above*
- ★ A rated G&Ts*
- A- rated G&Ts*
- ▲ Golden Spread (A rated by Fitch Ratings)

Golden Spread planned for its capital expansion by accumulating equity and producing margins in excess of the average ratios of other generation and transmission cooperatives.

In July 2017, Fitch Ratings reaffirmed its A rating on Golden Spread's 2005 Series senior secured debt with a stable outlook.

*Data provided by Fitch Ratings' U.S. Public Power Peer Studies. Amounts for 2018 were not available at time of printing.



Building on the Economic Development and Load Growth Successes in Our Members' Territories

One of our Member task force initiatives begun in 2018 focuses on economic development. Shown here are a number of vibrant Member-Consumer organizations from our Members' territories.





MISSION

Delivering **COST EFFECTIVE**, **COMPETITIVE** and **RELIABLE POWER** to provide a secure energy future for generations to come by:

- Creating opportunities
- Cultivating cooperation
- Navigating industry risk

VISION

TRUSTED, **INNOVATIVE** and **FLEXIBLE**, we deliver competitive energy solutions

VALUES

INTEGRITY: Do the right thing for the right reason

COOPERATION/SERVICE: Collective service that is greater than individual efforts

RESPECT: The Golden Rule



MEMBER COOPERATIVES' INFORMATION

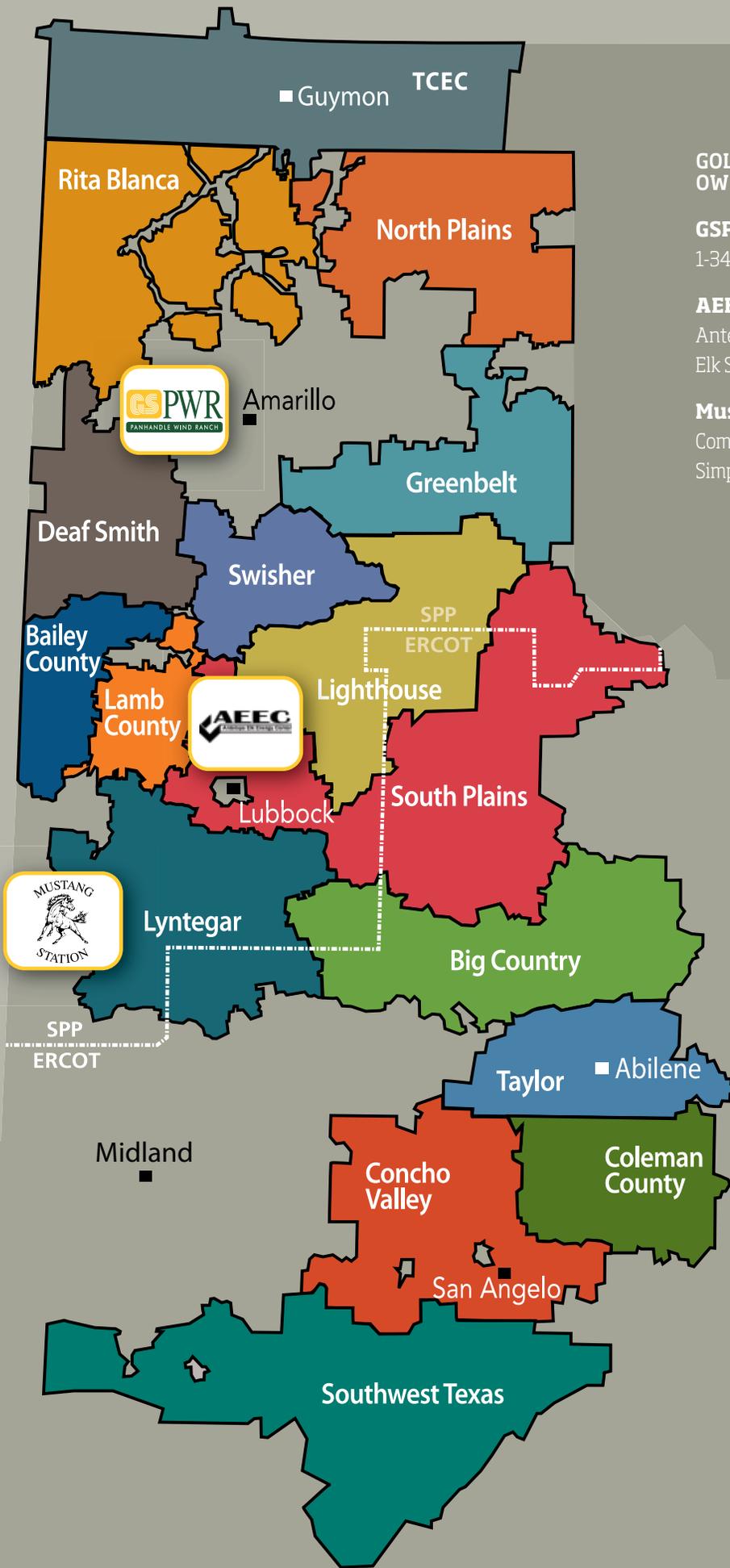
(dollars in thousands)

2018 SUMMARY

	BAILEY COUNTY	BIG COUNTRY	COLEMAN COUNTY	CONCHO VALLEY	DEAF SMITH	GREENBELT
Number of Employees	40	62	33	60	57	37
Total Services in Place	9,784	18,867	12,756	18,930	16,657	7,100
Miles of Line	2,913	5,317	3,781	4,372	4,957	2,578
Peak Demand (kW - NCP)	89,069	63,537	33,537	89,296	192,478	49,534
Sales (MWh)	321,270	251,218	128,003	424,960	743,878	236,814
Net Utility Plant	\$ 54,645	\$ 62,558	\$ 18,915	\$ 76,678	\$ 41,687	\$ 36,093
Assets	\$ 91,064	\$ 89,339	\$ 31,262	\$ 103,487	\$ 109,405	\$ 52,954
Margins Plus Equities	\$ 39,030	\$ 45,728	\$ 20,249	\$ 45,694	\$ 92,889	\$ 23,431
Revenues	\$ 30,457	\$ 26,848	\$ 12,739	\$ 38,624	\$ 59,455	\$ 22,619
Cost of Purchased Power	\$ 18,770	\$ 13,578	\$ 7,154	\$ 21,928	\$ 44,869	\$ 14,417
Interest on Long-Term Debt	\$ 1,817	\$ 1,527	\$ 363	\$ 2,012	\$ 106	\$ 1,005
Net Margins	\$ 1,120	\$ 2,061	\$ 1,546	\$ 4,317	\$ 7,696	\$ 1,647
DSC	2.10	2.22	2.37	2.13	18.89	2.03
Equity Ratio (%)	44.77	51.19	64.77	44.15	85.00	44.25

	LAMB COUNTY	LIGHTHOUSE	LYNTEGAR	NORTH PLAINS	RITA BLANCA	SOUTH PLAINS
Number of Employees	41	39	109	47	30	151
Total Services in Place	13,216	10,976	26,358	7,382	8,869	71,643
Miles of Line	3,258	4,475	7,018	3,779	3,361	10,052
Peak Demand (kW - NCP)	99,363	102,365	200,834	105,484	131,161	362,864
Sales (MWh)	353,125	274,547	749,368	385,615	580,155	1,672,359
Net Utility Plant	\$ 45,160	\$ 49,327	\$ 156,972	\$ 69,049	\$ 57,774	\$ 240,533
Assets	\$ 88,357	\$ 87,454	\$ 241,375	\$ 97,579	\$ 92,722	\$ 364,023
Margins Plus Equities	\$ 48,126	\$ 48,068	\$ 121,560	\$ 58,212	\$ 74,538	\$ 170,436
Revenues	\$ 32,110	\$ 29,045	\$ 71,628	\$ 34,499	\$ 43,145	\$ 147,558
Cost of Purchased Power	\$ 20,750	\$ 18,105	\$ 42,167	\$ 21,012	\$ 31,454	\$ 99,933
Interest on Long-Term Debt	\$ 1,365	\$ 1,171	\$ 4,107	\$ 1,330	\$ 390	\$ 6,251
Net Margins	\$ 4,759	\$ 3,684	\$ 10,544	\$ 5,700	\$ 8,524	\$ 18,518
DSC	3.37	3.02	3.03	4.09	11.59	3.20
Equity Ratio (%)	56.70	54.96	50.36	53.80	80.39	46.82

	SOUTHWEST TEXAS	SWISHER	TAYLOR	TCEC	TOTAL
Number of Employees	44	40	82	102	974
Total Services in Place	14,337	9,737	26,954	27,104	300,670
Miles of Line	5,379	3,695	4,957	5,013	74,905
Peak Demand (kW - NCP)	56,103	66,698	119,194	151,154	1,912,671
Sales (MWh)	315,545	202,940	328,825	906,266	7,874,888
Net Utility Plant	\$ 45,973	\$ 33,259	\$ 106,816	\$ 232,303	\$ 1,327,742
Assets	\$ 69,745	\$ 60,150	\$ 148,877	\$ 313,842	\$ 2,041,635
Margins Plus Equities	\$ 49,108	\$ 38,216	\$ 61,251	\$ 82,412	\$ 1,018,948
Revenues	\$ 26,522	\$ 21,588	\$ 44,882	\$ 90,313	\$ 732,032
Cost of Purchased Power	\$ 14,829	\$ 13,504	\$ 22,007	\$ 48,897	\$ 453,374
Interest on Long-Term Debt	\$ 522	\$ 732	\$ 3,621	\$ 10,420	\$ 36,739
Net Margins	\$ 3,302	\$ 2,375	\$ 4,640	\$ 11,461	\$ 91,894
DSC	4.10	3.66	2.11	2.18	4.38
Equity Ratio (%)	70.00	63.53	41.10	26.26	54.88



**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
OWNED POWER GENERATION FACILITIES**

GSPWR - Golden Spread Panhandle Wind Ranch (Units 1-34)

AECC - Antelope Elk Energy Center
Antelope Station (Units 1-18)
Elk Station (Units 1-3)

Mustang Station
Combined Cycle (Units 1-3)
Simple Cycle (Units 4-6)



**GOLDEN SPREAD
MEMBER SYSTEMS**

Bailey County
Big Country
Coleman County
Concho Valley
Deaf Smith
Greenbelt
Lamb County
Lighthouse

Lyntegar
North Plains
Rita Blanca
South Plains
Southwest Texas
Swisher
Taylor
TCEC



Golden Spread Electric Cooperative, Inc.

A Touchstone Energy™ Cooperative 

35 YEARS • 1984-2019