



South Plains Electric
Cooperative, Inc.

Your Touchstone Energy® Cooperative 

SOUTH PLAINS ELECTRIC COOPERATIVE



1937-2017

**Eighty Years
of Member Service**

STRONG, UNITED & COMMITTED

2016 Annual Report

The VALUE of Membership

Service is our mission. South Plains Electric Cooperative was established to provide safe, reliable and affordable power. This has remained our mission since day one.

You are a member, not a customer. Cooperatives are businesses owned by members. Members elect the co-op's board of directors and can run for seats on the board. Your votes and participation help shape the co-op's direction.

We are not-for-profit. Unlike investor-owned utilities, which operate to make profits for stakeholders, South Plains Electric does not earn profits. Instead, revenue remaining after expenses is returned to members in the form of capital credits as co-op finances permit.

We are community-focused. South Plains Electric is committed to local community development programs and projects such as Habitat for Humanity, Relay for Life, Youth Tour and others.

We are guided by a set of principles. All co-ops are guided by Seven Cooperative Principles: Voluntary and Open Membership; Democratic Member Control; Member's Economic Participation; Autonomy and Independence; Education, Training and Information; Cooperation Among Cooperatives; and Concern for Community.

We are committed to innovation. South Plains Electric is able to respond quickly to changing member needs. We are committed to experimenting and innovating in ways that benefit the communities and members we serve.



What You're Missing at the ANNUAL MEETING

Did you know that every cooperative is required to conduct an annual meeting of its membership?

The purpose is to hold the election for the board of directors, share important financial information, occasionally vote on other matters such as Articles of Incorporation changes—and, of course, give away great door prizes! There's another purpose, though; it's not laid out in the Co-op's mission statement, but it's just as important.

South Plains Electric Cooperative's annual meeting is a community gathering where neighbors can meet new neighbors or catch up with old acquaintances. This is why we continue to hold membership meetings in Childress and Spur. We know the community importance of these local gatherings and the integral part the Cooperative plays in keeping these communities vibrant.

As our lives get busier and more of our interactions with others occur online via social media, we need to renew the value of face-to-face human connections. Very few organizations are as uniquely positioned as your Co-op to bring together all the members of our local communities.

South Plains Electric's annual meeting is designed to take care of the important business of your Cooperative and the equally important business of building a sense of real community. All cooperatives serve economic and social purposes. Although safe, reliable and affordable electric power is crucial to our mission, improving the quality of life for all members is at the core of what we do.

If you have not attended the annual meeting in the past, or if it has been a few years, we urge you to take the time to be with your fellow Co-op members. If you absolutely can't join us, here are some important facts about your Co-op for 2016.

Scott Martin is our newest director and just completed his first year of service. He recently earned his Credentialed Cooperative Director certification from our national association. The certification includes courses on director duties and liabilities, under-

standing the electric business, board operations and processes, strategic planning and financial decision-making. It's a great basis for a new director, and many of your directors have this certification.

The Cooperative ended 2016 with a 3 percent increase in overall sales. Increased sales, combined with a 4 percent decrease in expenses, allowed us to end 2016 with an operating margin of \$3.9 million.

At last month's board meeting, the board of directors decided to return \$4.5 million in capital credits to members! Capital credits checks of \$10 or more will mail in September. If your share is less than \$10, it will be a credit on your September bill. With this retirement, the Cooperative has returned a grand total of \$37.2 million in cash to its members. Learn more about capital credits on pages 8-9.

We constructed over 2,000 new services and ended 2016 with 54,920 meters and 9,917 miles of line. That's a 3 percent growth rate for us. Thirty-eight percent of revenue came from residential members and 26 percent was from oil.

A statistic we are very proud of is that 71 cents of every dollar we collected from members went straight to the wholesale power bill. We are keeping up with all of the expenses of operating a growing utility system on 29 cents of every dollar collected from members. This is how your Cooperative gives you good value for your investment.

The Cooperative is celebrating 80 years of member service in 2017. We conducted a member survey in February 2017, and you gave us a score of 92 on the American Customer Satisfaction Index. That's 17 points higher than the utility industry average. So we know you appreciate the hard work of our employees. Take a look at the special report on pages 12-13 to learn more from the survey.

We talk a lot about the Co-op's finances and growth, but it's our team of employees that is the heart of South Plains Electric. And our heart is getting younger and beating stronger.

There was a day when no one ever

quit or retired from the Co-op, and when the rare position opened up, you faced tough competition to get hired. While the competition for jobs is still tough, we had 58 employees leave the Co-op from 2012 to 2016, with about half retiring and half moving on to another opportunity. The board and staff have been working for the past 10 years on plans to replace a retiring workforce, but the fierce competition for good line workers has added to the challenge.

Every electric utility, not just co-ops, is dealing with an aging workforce and a lower number of replacements being available. This makes it hard to attract and keep line workers. And we have 25 employees age 60 or older who could retire at any time, so the challenge is far from over. We believe South Plains Electric offers workers a great combination of good salary and benefits, a family-type atmosphere among co-workers and the ability to serve the membership instead of just doing a job.

We have been in business for 80 years and are building a co-op that will continue to provide safe, reliable electric service at the lowest-possible cost. We are confident that the next generation of people, on the board and in the local offices, will keep South Plains Electric viable for another 80 years!

We get out of life what we put into it. South Plains Electric Cooperative is connected to you by more than just power lines. We are your neighbors, and we look forward to seeing you at 5:30 p.m. on Tuesday, September 12, at the Lubbock Memorial Civic Center for your annual meeting.



Tommy Joines
President



Dale Ancell
General Manager

South Plains Electric Cooperative and Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31,

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|-----------------------------|
| ASSETS—What we own | | |
| Total cost of system | \$316,571,422 | \$300,609,793 |
| Estimated depreciation | (88,801,281) | (84,871,940) |
| Net value of system | \$227,770,141 | \$215,737,853 |
| Cash/temporary cash investments | \$12,405,413 | \$6,517,369 |
| Investments | 101,877,835 | 99,511,842 |
| Accounts receivable | 14,092,259 | 12,994,014 |
| Value of materials & supplies | 22,187 | 19,402 |
| Advanced payments | 1,132,929 | 758,533 |
| TOTAL ASSETS | <u>\$357,300,764</u> | <u>\$335,539,013</u> |
| LIABILITIES—What we owe | | |
| Long-term debt | \$148,379,170 | \$147,256,233 |
| Materials, taxes, insurance | 40,295,868 | 35,053,172 |
| Other liabilities & credits | 20,349,700 | 13,837,488 |
| EQUITIES | | |
| Deposits & memberships | \$810,662 | \$801,517 |
| Total members' equity | 147,465,364 | 138,590,603 |
| TOTAL LIABILITIES & MEMBERS' EQUITY | <u>\$357,300,764</u> | <u>\$335,539,013</u> |

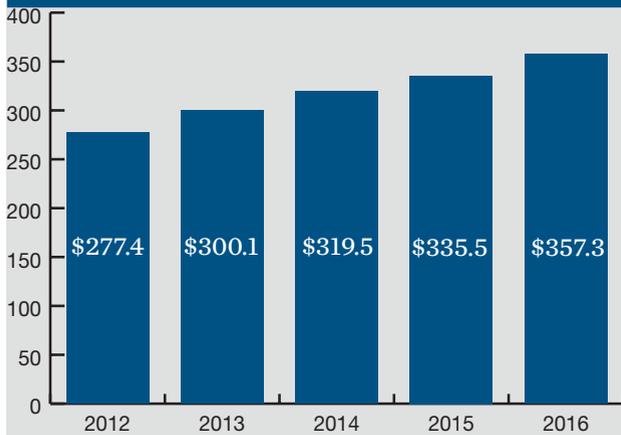
South Plains Electric Cooperative and Subsidiaries

CONSOLIDATED INCOME STATEMENT

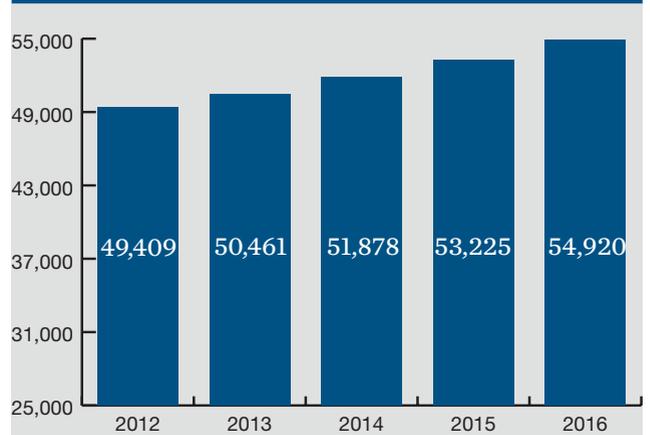
December 31,

| | <u>2016</u> | <u>2015</u> |
|--------------------------------|-----------------------------|-----------------------------|
| REVENUES | | |
| Electric energy sold | \$125,839,030 | \$122,116,171 |
| TOTAL ELECTRIC REVENUE | \$125,839,030 | \$122,116,171 |
| EXPENSES | | |
| Electric power cost | \$88,994,926 | \$95,540,817 |
| Operating expenses and taxes | 18,755,014 | 17,233,642 |
| Estimated system depreciation | 8,202,216 | 7,692,318 |
| Interest on long-term debt | 5,977,522 | 5,953,237 |
| TOTAL EXPENSES | <u>\$121,929,678</u> | <u>\$126,420,014</u> |
| OPERATING INCOME (LOSS) | 3,909,352 | (\$4,303,843) |
| Non-operating income | 5,080,309 | \$14,553,997 |
| NET MARGINS | <u>\$8,989,661</u> | <u>\$10,250,154</u> |

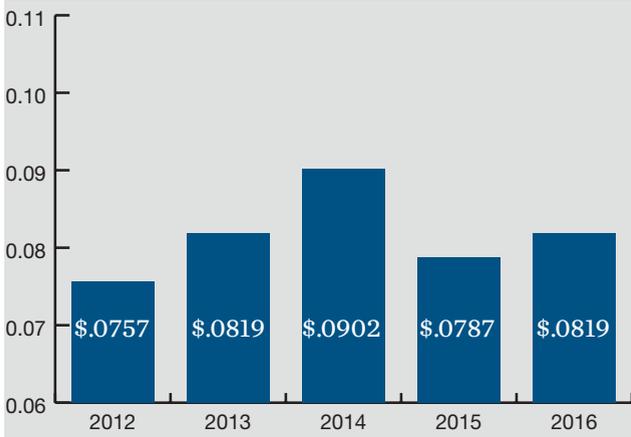
Total Assets *(in millions)*



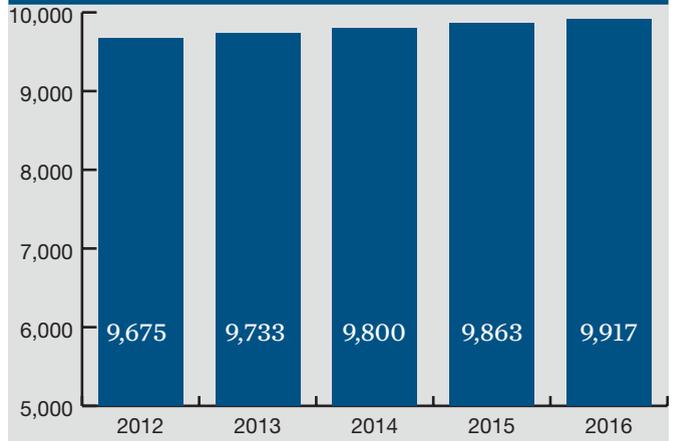
Number of Electric Meters Served



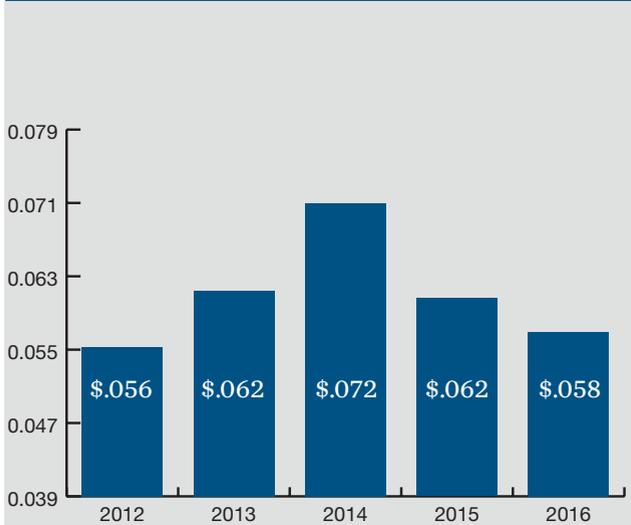
Members' Average Cost Per kWh



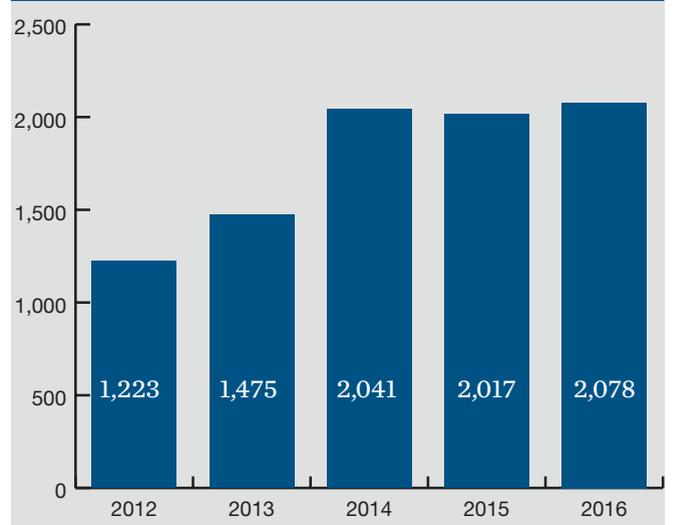
Miles of Line



Wholesale Power Cost Per kWh Sold



New Services Constructed





District 1
Tommy Joines
 President
 Cotton Center
 Term expires 2019



District 2
Danny Stanton
 Assistant Secretary-Treasurer
 Shallowater
 Term expires 2019



District 3
Rynn Truett
 Idalou
 Term expires 2018



District 4
Marvin Schoepf
 Lorenzo
 Term expires 2017



District 5
Bobby Richey
 Secretary-Treasurer
 Wolforth
 Term expires 2018



District 6
David Gossett
 Slaton
 Term expires 2017



District 7
R.D. McCallister
 Vice President
 Acuff
 Term expires 2018



District 8
Benny Nixon
 Lubbock
 Term expires 2019



District 9
Glenn Jones
 Spur
 Term expires 2017



District 10
Scott Martin
 Spur
 Term expires 2019



District 11
Larry Browning
 Childress
 Term expires 2017



District 12
Ken Harris
 Kirkland
 Term expires 2018

THE BOARD OF DIRECTORS IS COMMITTED TO SERVING YOU

As the utility industry enters an era of change, when people have more choices for the way they receive electricity, it is critically important that we hear your voice and the voices of the most diverse group of members. Through active engagement and participation of the membership, the Co-op can ensure it is leading in a direction that the members will want to follow.

In addition to ensuring the Co-op serves the best interests of its members, the board is committed to keeping our local communities vibrant. Being a co-op board member requires a real commitment of time and effort, and an attitude of being a servant leader, meaning board members should want to engage to make a real contribution to the membership and community.

BOARD NOMINEES FOR 2017 ELECTIONS

District 4 Nominee Marvin Schoepf

Lorenzo, Incumbent

Education: Lorenzo High School graduate

Current Occupation: Farmed 5,500 acres in western Crosby County for over 50 years, but is now retired and has turned the reins over to his sons, Mark and Bryan, and their families.

Family: His wife of 58 years is Loreeta. Their sons, Mark and Bryan, daughter Janet Joiner, and grandsons, Matthew, John and Josh, are all members of South Plains Electric Cooperative.

Qualifications and Experience: Served 10 years as a committeeman with High Plains Underground Water District #1; 27 years past director with Pleasant Hill Co-op Gin; 24 years as director with South Plains Electric Cooperative; earned his National Rural Electric Cooperative Association Credentialed Cooperative Director certification; participates in additional training from the national and statewide associations; 10 years with Texas Pest Management representing Crosby and Floyd counties; six years as a committeeman with Crosby County USDA/ASC; member of First Baptist Church of Lorenzo.

District 9 Nominee Glenn Jones

Spur, Incumbent

Education: Crosbyton High School graduate

Current Occupation: Rancher

Other Professional Experience: Retired from the Texas Department of Criminal Justice

Family: His wife is Leanora. They are members of the Crosbyton Church of Christ.

Qualifications and Experience: "I served 17 years on the former Dickens Electric Cooperative Board and was vice president. Dickens EC merged with South Plains Electric Co-op in 1999, and I continue to serve the membership on the board. I believe in keeping electric rates as low as possible, and serving on the Brazos Electric Cooperative Board for over 16 years is one way I've worked to achieve affordable rates. I also served on the San Miguel Electric Cooperative Board. I am a Credentialed Cooperative Director as certified by NRECA, and I have my NRECA Board Leadership Certificate. While I devote a considerable amount of time to my board duties, I'm also very involved in various local community committees and activities."

South Plains
Electric's Directors
are members, too!

District 6 Nominee David Gossett

Slaton, Incumbent

Education: Slaton High School graduate; Attended West Texas State University and Texas Tech University

Current Occupation: Farmer/Ag Chemical Dealer

Family: His wife is Kathy, and they have two grown children. He is a member of First Baptist Church-Slaton where he serves as a deacon.

Qualifications and Experience: "In serving as board chairman for two different boards previously, my philosophy is to hire good people and allow them to do their jobs without micro-managing. I have served on the Slaton ISD Board of Trustees for 15 years and served as board chairman for 12 years. I have also served on the Slaton Co-op Gin Board for more than 20 years and currently serve as board chairman. My experience on the Slaton ISD Board of Trustees and Slaton Co-op Gin Board has taught me to see the big picture and to make logical and rational decisions based on facts and not emotions. I presently live on the farm that has been in my family for more than 100 years."

District 11 Nominee Larry Browning

Childress, Incumbent

Education: Childress High School graduate; Tarleton State University graduate with a B.S. in Agriculture

Current Occupation: Rancher

Family: His wife is Lesa. They have two daughters: Amanda and Emily. Amanda and Emily are graduates of West Texas A&M University.

Community Involvement: Member of First Baptist Church-Childress; served and organized Ag Day on Childress County Ag Committee; past member of Childress Independent School District School Board; involved with 4-H and FFA and served as an adult horse judging team leader.

Qualifications and Experience: "I will present a willingness to serve the board and others in the community to the best of my abilities. Additionally, I will bring strong Christian values and a thorough knowledge of Childress County and the surrounding area to the table."

ABOUT CAPITAL CREDITS

As a member of an electric cooperative, you receive not only a needed service but a benefit reserved for owners of a company—a return on your investment. This happens through “capital credits.”

Capital credits come from the money left over after all expenses are paid in a given year. At the end of the year, that money is credited to each member’s account according to the amount of electricity purchased. Assigning capital credits to members, instead of paying dividends to distant stockholders, is just part of the accountability your Cooperative offers you.

The credit remains on the utility’s books for a time and is used as a sort of interest-free loan from the members, who benefit by not having to pay interest on money borrowed from an outside source. When the Cooperative’s finances permit, that money is returned to members in the form of capital credits checks.

Looking Out for You!

Unlike many other businesses, cooperatives do not have shareholders who expect to make money from the operation of the company. Instead, consumers of a cooperative are member-owners of the company.

The primary objective of an investor-owned company is to make a profit. An electric cooperative is different. It is a not-for-profit business that exists solely to provide its members with electricity.

In a cooperative, net margins don’t belong to the company; they belong to the individual members paying their monthly service bills. In effect, the members are the shareholders.

Why Not Just Break Even?

Since the Cooperative assigns any leftover money back to the members, it seems like we should establish a budget to merely break even every year. However, that isn’t possible—or

desirable. The business of building power lines is very expensive, and maintaining them is subject to outside forces such as weather. It is impossible to plan so precisely in advance that revenues and expenses come out exactly even at year end.

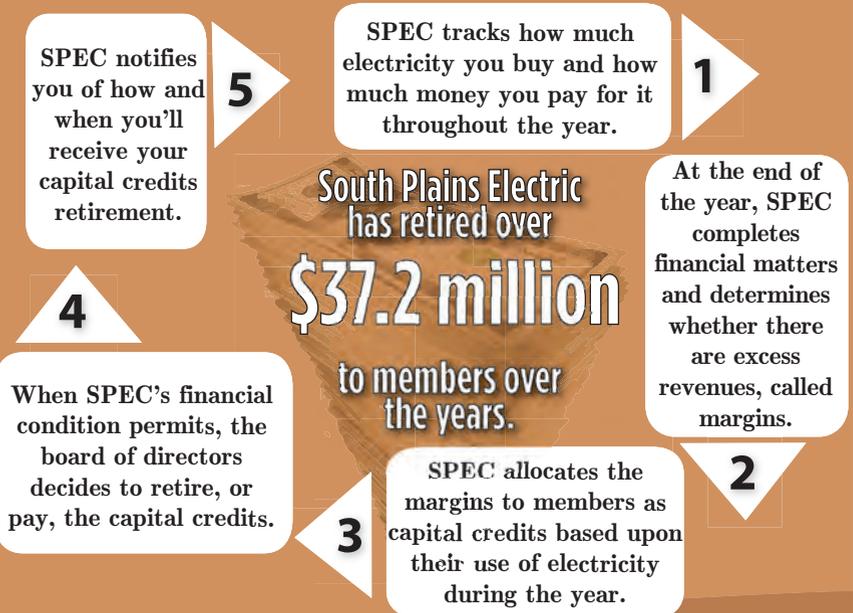
What’s more, a cooperative must show a margin at the end of each year to prove to its lenders it is financially sound — and some margin must remain after expenses are paid so the business can continue to operate. Like other businesses, electric cooperatives must have money on hand to provide current operating funds and set up a reserve against emergencies.

Whatever monies that may be accumulated at year end always belong to the members. Being paid for patronizing your own company is just another way we are looking out for you!

HOW DO CAPITAL CREDITS WORK?



Because South Plains Electric Cooperative operates at cost, any excess revenues, called margins, are returned to members in the form of capital credits.



Capital Credits's Frequently Asked Questions

Retiring capital credits is a unique business practice that allows cooperatives to give back margins. That process is just one part of the co-op difference, but often capital credits are misunderstood. To better educate our members about capital credits, we have listed some frequently asked questions and answers.

Q: What are capital credits?

A: Capital credits are one of the many benefits of co-op membership. As a cost-of-service energy provider, South Plains Electric doesn't earn profits. Instead, co-ops use the term margins, which is revenue remaining at the end of the year after all bills are paid. Capital credits reflect each member's equity in, and contribution of capital to, the cooperative.

Q: What's the difference between allocation and retirement?

A: An allocation is your share of the margins. We set this money aside to use as operating capital for improvements and maintenance; it also helps the co-op meet equity ratios with lenders. A retirement is the amount you receive in a check or as a credit on your bill. It is a percentage of your allocations accumulated over the years.

Q: What happens to the capital credits of a member who dies?

A: It remains in place for the member's heirs. A representative of the estate must keep contact information current.

Q: Why does the cooperative need to accumulate equity?

A: Your equity in the co-op reduces the need for us to raise rates or borrow as much money to meet expenses. Every business must have equity to continue to survive.

Q: What happens to my capital credits if I move?

A: Your capital credits remain on our books until they are retired. That's why it's important to let us know of any address changes.

Q: Are capital credits retired every year?

A: Each year, your board of directors decides whether to retire capital credits based on the co-op's financial health. SPEC's ability to retire capital credits reflects the cooperative's strength and financial stability.

Q: Where does the money come from?

A: Co-ops set rates to generate enough money to pay operating costs, make payments on any loans and provide an emergency reserve. At the end of each year, we subtract operating expenses from the operating revenue collected during the year. The balance is called an operating margin.

| YEAR | ASSIGNED | REFUNDED | BALANCE |
|---|----------------------|---------------------|----------------------|
| 1943-1978 | \$15,552,991 | \$15,552,991 | \$0 |
| 1979 | 840,380 | 158,909 | 681,471 |
| 1980 | 1,076,841 | 26,397 | 1,050,444 |
| 1981 | 1,045,522 | (57,260) | 1,102,782 |
| 1982 | 218,729 | 86,140 | 132,589 |
| 1983 | 1,403,483 | 23,871 | 1,379,612 |
| 1984 | 1,374,597 | 19,024 | 1,355,573 |
| 1985 | 350,876 | 4,077 | 346,799 |
| 1986 | 1,056,198 | 4,799 | 1,051,399 |
| 1987 | 1,505,790 | 5,898 | 1,499,892 |
| 1988 | 3,133,657 | 208,827 | 2,924,830 |
| 1989 | 2,528,682 | 184,411 | 2,344,271 |
| 1990 | 2,736,214 | 160,788 | 2,575,426 |
| 1991 | 1,868,144 | 117,220 | 1,750,924 |
| 1992 | 1,176,201 | 1,266 | 1,174,935 |
| 1993 | 2,464,490 | 826,855 | 1,637,635 |
| 1994 | 3,685,766 | 765,002 | 2,920,764 |
| 1995 | 1,844,320 | 581,651 | 1,262,669 |
| 1996 | 2,029,555 | 547,448 | 1,482,107 |
| 1997 | 2,312,246 | 513,353 | 1,798,893 |
| 1998 | 2,194,221 | 518,165 | 1,676,056 |
| 1999 | 738,480 | 738,480 | 0 |
| 2000 | 1,166,968 | 573,728 | 593,240 |
| 2001 | 0 | 0 | 0 |
| 2002 | 2,220,225 | 1,203,343 | 1,016,882 |
| 2003 | 4,342,985 | 2,759,253 | 1,583,732 |
| 2004 | 3,983,992 | 1,924,906 | 2,059,086 |
| 2005 | 7,828,773 | 612,182 | 7,216,591 |
| 2006 | 6,005,292 | 462,388 | 5,542,904 |
| 2007 | 8,012,443 | 559,258 | 7,453,185 |
| 2008 | 11,591,238 | 474,403 | 11,116,835 |
| 2009 | 8,479,828 | 318,916 | 8,160,912 |
| 2010 | 9,908,922 | 0 | 9,908,922 |
| 2011 | 12,917,854 | 843,004 | 12,074,850 |
| 2012 | 13,140,294 | 1,354 | 13,138,940 |
| 2013 | 14,348,708 | 2,001,003 | 12,347,705 |
| 2014 | 8,048,076 | 739 | 8,047,337 |
| 2015 | 5,647,163 | 0 | 5,647,163 |
| 2016 | 8,989,661 | 0 | 8,989,661 |
| SUBTOTAL | \$177,769,805 | \$32,722,789 | \$145,047,016 |
| Other Comprehensive Loss | | | (\$2,257,100) |
| Other Equities | | | \$4,675,448 |
| Members' Equity in the Cooperative | | | \$147,465,364 |

SPEC Neighbors Helping Neighbors OPERATION ROUND UP

Over
\$1 Million
distributed
locally

Financial Statement South Plains Electric Trust Year Ending 2016

| | |
|-------------------------------|-------------|
| Beginning balance 1/1/16..... | \$68,201.54 |
| 2016 member deposits | \$29,090.33 |
| Employee & SPEC donations .. | \$45,207.40 |
| Interest income..... | \$44.37 |
| Checks issued..... | \$65,677.35 |
| Balance 12/31/16..... | \$76,866.29 |

Operation Round Up has disbursed more than \$1 million to local organizations and individuals since its inception 24 years ago. More than \$65,000 was disbursed in 2016 alone.

What is Operation Round Up?

This innovative program is a community outreach project that helps local organizations and individuals who need a hand up, not a hand out.

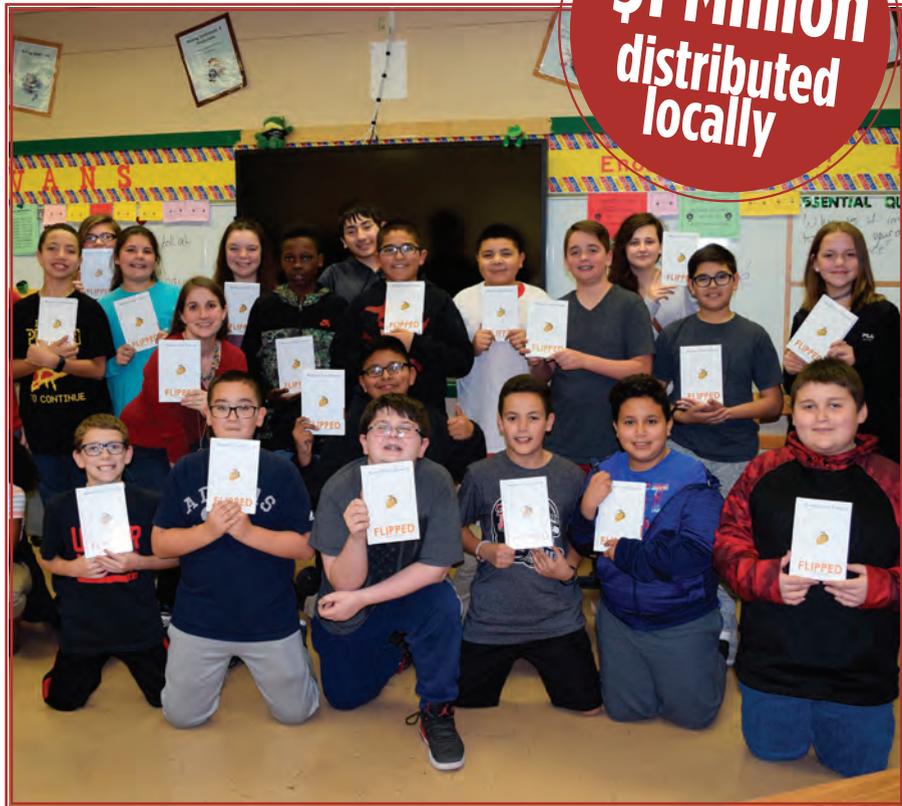
The money in the fund comes from members of South Plains Electric Cooperative who round their monthly bill up to the nearest dollar. When you enroll, the billing program automatically rounds up your monthly bill and deposits the difference into the Operation Round Up account. The average annual contribution is only \$6 per meter (and it's tax deductible)!

Ten members, your neighbors, sit on the Operation Round Up board. They review applications and approve grants. They are also the eyes and ears in your community for potential projects.

Your contribution can:

- send children to camp
- buy food for families in need
- help with medical emergencies
- rebuild a family's life after a fire
- award scholarships
- make a life tragedy less traumatic

Operation Round Up is about neighbors helping neighbors. Complete the coupon at right and send it with your next payment or just check the box on your bill stub.



Board of Trustees

Gary Koelder, Cotton Center, Pres.

Lou Boyles-Bruster, White River Lake, VP

Sondra Arnold, Lubbock, Treas.

Melba Parchman, Ransom Canyon, Sec.

Shea Adrian, Shallowater

Jane Bednarz, Slaton

Melinda Chapman, Lorenzo

Judy Johnson, Childress

Brenda Karr, Dickens

Patricia Reynolds, Lubbock



Just Say Yes!

Join Operation Round Up today!

Just complete this form and mail it with your next electric payment!

Name: _____

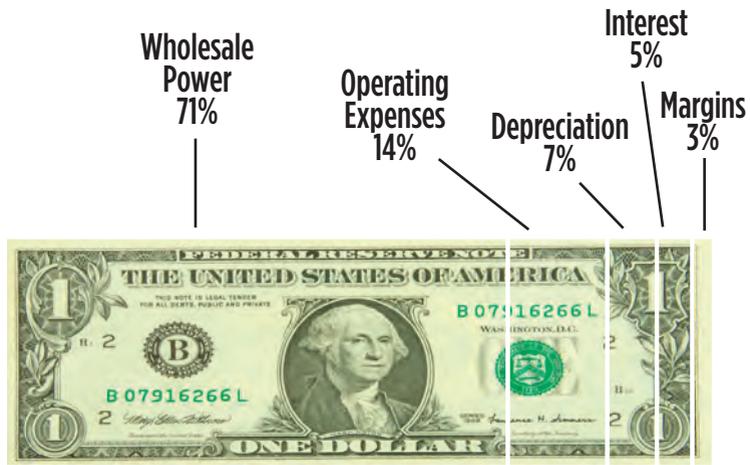
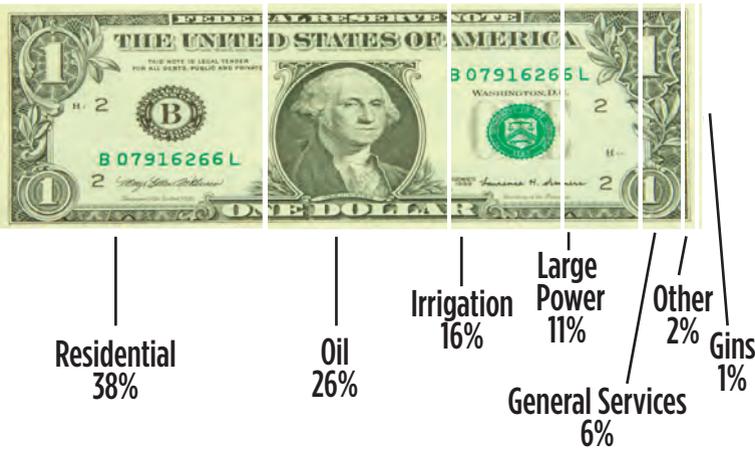
Account #: _____

Phone #: _____

If you have more than one meter in your name, how many meters do you want to sign-up? All One Specific Number _____

Your Dollar at Work in 2016

How your dollar was earned



How your dollar was used

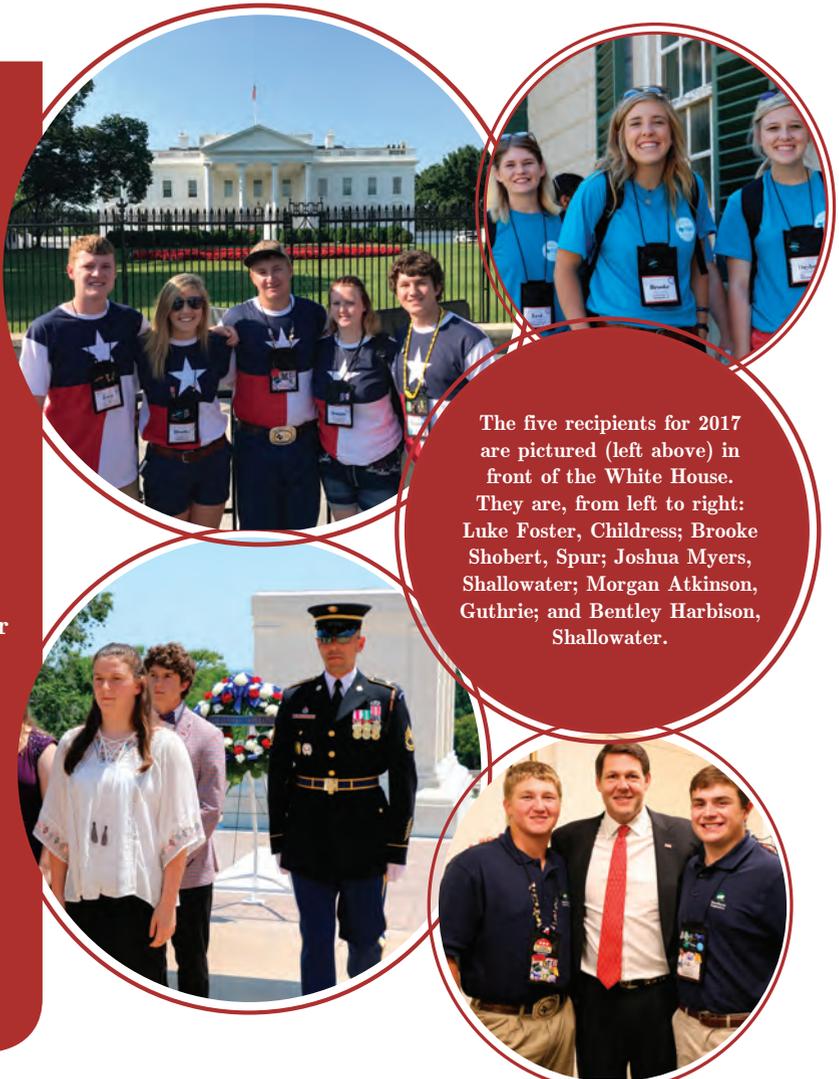
Youth Tour Experience

South Plains Electric Cooperative sent five students on a trip of a lifetime to Washington, D.C., in June.

Students compete in local contests in November and December to earn a spot on the trip. If you are interested in attending next year, look for entry information in October at SPEC.coop and on Facebook. You can also call Youth Tour Program Director Becky Wilson at 806.775.7514 or email her at bwilson@SPEC.coop.

Bentley Harbison, Shallowater, pictured right, was recognized as one of four Youth Tour winners to lay the wreath at the Tomb of the Unknown Soldier.

It is a trip of a lifetime with all expenses paid!



The five recipients for 2017 are pictured (left above) in front of the White House. They are, from left to right: Luke Foster, Childress; Brooke Shobert, Spur; Joshua Myers, Shallowater; Morgan Atkinson, Guthrie; and Bentley Harbison, Shallowater.

SPECIAL REPORT

WOW!

Membership's Validation of CO-OP'S SERVICE EFFORTS

It only seems fitting for the membership to give South Plains Electric Cooperative a score of 92 on the American Customer Satisfaction Index during our 80th anniversary when we are celebrating member service. How we take care of our members every day is what sets us apart from other utilities.

South Plains Electric Cooperative's ACSI score of 92 puts us in the top 2 percent of electric cooperatives nationally and 17 points higher than the utility industry national average.

That accomplishment is even more impressive because the percentage of South Plains Electric residential members who perceive themselves to be co-op members, as opposed to just customers, is lower than the national norm. Even though we had fewer people identify as members, the research showed that "members" rated the Co-op higher by one of the largest gaps the researchers have ever seen when compared to "just customers." This is a testament to the superior member service our employees demonstrate daily.

METHODOLOGY

This survey was based on 400 completed interviews in February 2017, using random sampling by telephone of South Plains Electric residential

members. The margin of error was +/- 4.9 percent.

HOW SOUTH PLAINS ELECTRIC COOPERATIVE COMPARES TO NATIONAL FIGURES

The Co-op's ACSI score of 92 places us in the top 2 percent of co-ops nationally (Q4 2016) with the highest score being 93.

SPEC surpasses many national averages, including:

- ★ Touchstone Energy Cooperatives with ACSI of 78;
- ★ All other Cooperatives with ACSI of 75;
- ★ Investor-Owned Utilities with ACSI of 75;
- ★ Municipally-Owned Utilities with ACSI of 71.

MEMBER VS. CUSTOMER

At South Plains Electric, 43 percent have what we call member identity. Meanwhile, 56 percent said they think of themselves as just customers.

NRECA Market Research's running national tally on this question puts total membership identity at 52 percent among the co-ops they survey and 47 percent as customers.

Membership awareness marches upward the more years a person has been on co-op lines. At eight to 15

years on co-op lines, half of them identify themselves as "members." Once they've been on our lines for 15 years, two-thirds say they are "members."

The positive difference that "members" feel about South Plains Electric compared to "customers" is widely evident when asked about service-related items:

★ Do we keep momentary blinks to a minimum? Seventy-five percent of members rate the Co-op as "excellent" compared with 65 percent of customers.

★ Do we keep longer power outages to a minimum? Almost 77 percent of members and only 59 percent of customers award South Plains Electric with an "excellent" rating.

★ Do we restore power quickly after an outage? Members outdo customers by 21 percentage points with 78 percent of members rating us "excellent" and 57 percent of customers doing the same.

★ How well do we handle member complaints and problems? Fully 70 percent of members and 44 percent of customers give the co-op "excellent" ratings.

★ Do we have cost-conscious management? Members out-rate customers 65 percent to 46 percent, respectively.

★ Do we keep fees and service charges reasonable? Sixty nine per-

cent of members and 43 percent of customers offer the “excellent” rating.

★ Do we have knowledgeable and helpful employees? Seventy-six percent of members and 58 percent of customers rate us as “excellent.”

★ Does South Plains Electric exceed expectations? Eighty-eight percent of members and 63 percent of customers rated the Co-op as a 9 or 10.

★ Would you choose South Plains Electric Cooperative if you were given a choice of electric providers? Amazingly, 96 percent of members and 77 percent of customers said yes.

★ Are you aware of Operation Round Up? Forty-five percent of members and 27 percent of customers were aware of the popular community charitable program.

These numbers confirm the importance of educating consumers about the value of being a member. When members embrace their member identity, it helps build trust, loyalty and support for the Cooperative as it works to achieve strategic objectives.

A FEW INTERESTING NOTES ON OVERALL SATISFACTION

People identifying themselves as members are far and away our biggest fans. Almost 85 percent of them rate South Plains Electric as a “10” on overall satisfaction, compared with

only 57 percent of customers. And 95 percent of members give the Cooperative a 9 or 10 in this category, compared with only 76 percent of those who believe they are merely customers.

The listing below by age shows the percentages rating us a 9 or 10:

- ★ 18 to 34 year olds—77 percent
- ★ 34 to 44 year olds—83 percent
- ★ 45 to 54 year olds—85 percent
- ★ 55 to 64 year olds—87 percent
- ★ 65 years or older—88 percent

More women (90 percent) than men (79 percent) offer the Cooperative the high ratings of 9 and 10 for overall satisfaction.

Members who have been on the Co-op’s lines for at least eight years are much more likely to offer overall satisfaction ratings of 9 or 10, with 91 percent of them doing so. Only 79 percent of those whose tenure is seven years or less gave us high ratings.

TENURE

As expected, 91 percent of 18-34 year olds have been on Co-op lines for seven years or less. While not typical for an electric co-op, 25 percent of those age 65 years and older have been on Co-op lines for only seven years or less. This tells us that a portion of the people moving into our area are seniors who are relatively new to the Cooperative system.

EMPLOYEE RATINGS

In the eyes of the members, the employees are the Co-op, and that’s why celebrating 80 years of member service is so appropriate. At South Plains Electric, members love the employees! A total of 92 percent say they are knowledgeable and helpful compared to only 2 percent who say they are “only fair” at their jobs.

COMMUNICATION

Our members are part of today’s tech-savvy society. The Cooperative continues to grow its social media presence to meet the needs of our current demographic. The survey showed that more than half (54 percent) of members now identify email, text messages, or Facebook as the best way for South Plains Electric to reach them. The Cooperative already offers outage reporting and billing alerts via texting. We are looking at expanding our use of text messaging and adding an informational email service. We will keep our traditional communications methods, including the Texas Co-op Power magazine and having someone available to answer calls 24/7, but we will continue to expand other communication channels to meet every member’s needs.

It **PAYS** to be a **CO-OP MEMBER!**

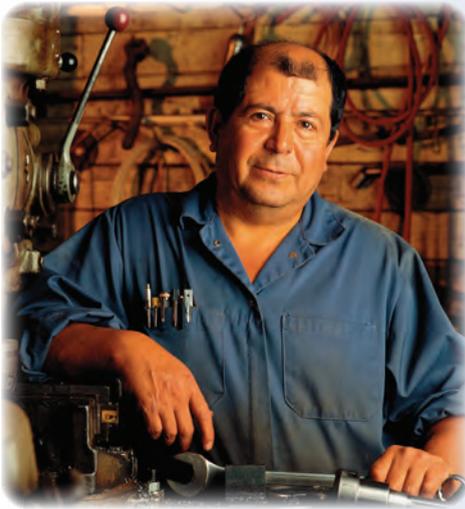


When you signed up to receive electricity from South Plains Electric, YOU became a member-owner of the Cooperative. Other businesses return profits to investors and stockholders. Not us. South Plains Electric is a member-owned, not-for-profit cooperative, and we return capital credits to YOU, our member-owners.

This year, the board approved the distribution of \$4.5 million in capital credits to members who purchased electricity in 1979, 1980, 2004, 2005 and 2016. Your capital credits amount is based on how much electricity you purchased during those years.

You’ll receive your capital credits in September.

That’s the Power of Co-op Membership!



**As a member of
South Plains Electric Cooperative,
YOU get the credit.**

Thanks for Your Membership!



\$4.5 Million

**in capital credits is being returned to members in
September. Watch for your check or a bill credit.**



— Everyone likes getting a —
GREAT
REPORT CARD



We'd like to thank our members for helping us score a "92" in the recent American Customer Satisfaction* Index. Your feedback puts South Plains Electric Cooperative a full 17 points higher than the utility industry average.

Even though ACSI recognizes "customer" satisfaction, South Plains Electric members are, in fact, "owners." That's an important distinction. And it's why we strive to provide a level of service that's second to none.

Naturally, we're honored. But it won't go to our head. We'll remain the dependable source of electricity our members never have to think twice about.



South Plains Electric
Cooperative, Inc.

A Touchstone Energy® Cooperative 

**We Work
For You!**



*Touchstone Energy ACSI member ratings using the ACSI customer satisfaction survey questions are compared to the ACSI ratings of residential customers of the U.S. largest investor-owned energy utilities.



**Bring this card
with you to the
meeting!**

**Bring this card
with you to the
meeting!**

Member Registration Card

for South Plains Electric Cooperative's Annual Meeting of the Membership

Tuesday, September 12, 2017

Lubbock Memorial Civic Center

Buffet dinner begins at 5:30 p.m. • Business meeting begins at 6:30 p.m. • Door prizes at end of meeting



Cut here and bring the above Member Registration card to your annual meeting!

Official Meeting Notice

Dear Member,

You are invited to attend the annual meeting of the membership of South Plains Electric Cooperative, Inc., on Tuesday, September 12, 2017, at 5:30 p.m. in the Exhibit Hall at the Lubbock Memorial Civic Center, 1501 Mac Davis Lane, Lubbock, Texas. Action will be taken on the following matters:

- Approval of the minutes of the 2016 annual meeting of the membership.
- Approval of changes to Articles of Incorporation to address the maximum number of directors who can serve on the board.
- Election of Directors for Districts 4, 6, 9 and 11.
- All other business to come before the meeting.

River Smith's will be serving the meal from 5:30-6:30 p.m., with the business session starting at 6:30 p.m. All business should be completed by 8 p.m.

Very truly yours,

**Bobby Richey, Secretary-Treasurer
SPEC Board of Directors**