DELIVERING A FLEXIBLE ENERGY FUTURE

2016

GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

ANNUAL REPORT

DELIVERING A FLEXIBLE ENERGY FUTURE

During 2016, the Board and Staff of Golden Spread Electric Cooperative, Inc. reached the midway point in the journey to achieve a vision for 2020 that was set in motion in 2012.

Our Board of Directors have not wavered from its plan to transform Golden Spread from a utility primarily purchasing power to one directly in control of its own power supply.

This plan required a transformation of our organization. Since 2012, we have accomplished a great deal of foundational work, including:

- **Expanding our generation fleet to meet Members' needs**
- **Aligning current and new staff members for the work ahead**
- **Bringing competitive energy solutions to our Members**

Delivering a Flexible Energy Future was the focus for 2016. In the following pages, you will see how we have advanced our vision to deliver competitive, flexible energy solutions to our Members while continuing to deliver on our mission to provide a secure energy future for generations to come.

The front and back cover photos were taken in the early morning sun at Antelope Elk Energy Center near Abernathy, Texas.

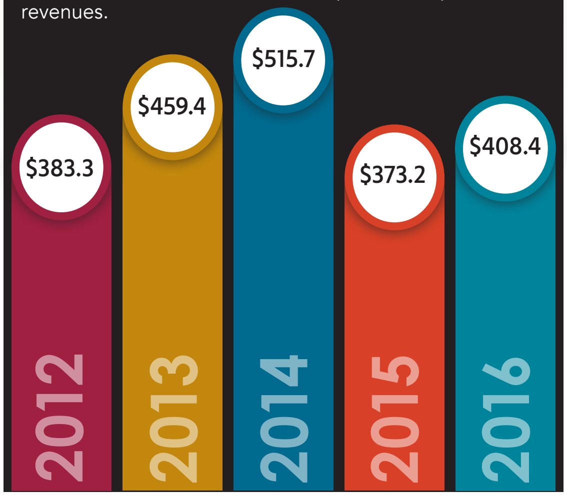
KEY DATA

	2016	2015
CONDENSED FINANCIAL DATA		
Operating Revenues	$ 408,412,749	$ 373,173,261
Operating Expenses	$ 359,522,879	$ 324,739,178
Operating Margins before Fixed Charges	$ 48,889,870	$ 48,434,083
Fixed Charges before AFUDC	$ 29,909,720	$ 29,193,075
AFUDC on Borrowed Funds	$ 2,863,785	$ 3,738,294
Nonoperating Margins	$ (11,794,502)	$ 5,344,353
Net Margins	$ 10,049,433	$ 28,323,655
Total Assets	$ 1,135,584,856	$ 1,161,218,777
Long-Term Debt	$ 614,516,896	$ 661,704,890
Members' Equity	$ 417,986,957	$ 416,237,524
FINANCIAL RATIOS		
Total Equity/Total Assets (%)	36.81	35.84
Days Cash on Hand	93	150
Debt Service Coverage Ratio	1.82	1.91
Debt/Funds Available for Debt Service	8.29	7.29
Total Equity/Total Capitalization (%)	38.89	38.45
OPERATING STATISTICS		
Average Rate to Members ($/MWh)	$ 57.62	$ 61.94
Energy Sales to Members (MWh)	6,490,018	6,291,738
Energy Sales to Nonmembers (MWh)	1,418,165	554,860
Total Energy Sales (MWh)	7,908,183	6,846,598
Member Peak Demand (MW)	1,550	1,472
Member System Load Factor (%)	47.68	48.47
Energy Generated (MWh) (1)	3,862,033	1,412,824
Energy Purchased (MWh) (1)	4,410,519	5,575,815

(1) Includes ancillary services for Member load

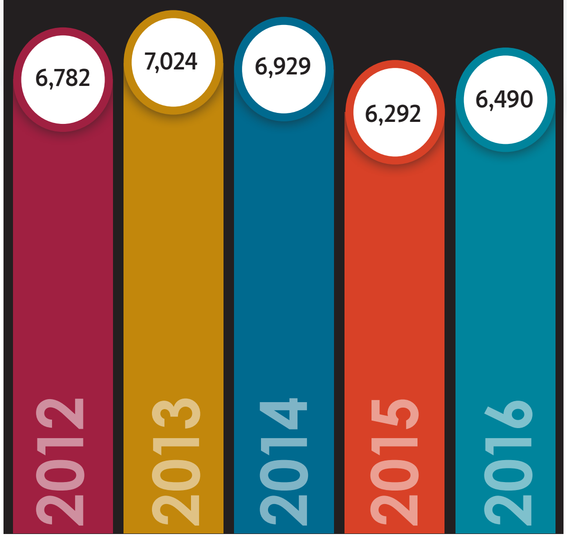
OPERATING REVENUES
(in Millions of Dollars)

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.



SALES TO MEMBERS
(in Millions of Kilowatt Hours)

Other than fluctuations caused by weather conditions, Member sales have been stable.



LETTER FROM THE PRESIDENT AND THE

Top photo, Golden Spread President Mark Schwirtz; bottom photo, Chairman of the Board Stan McClendon.

Golden Spread is part of a utility industry that illustrates the old adage: "Nothing remains constant except change itself." The increasing pace of change in our electric utility industry requires long-term, yet flexible planning. It is an interesting challenge.

With a focus on 2020, we built a foundation, strengthened our structure and executed a plan designed to transition Golden Spread from a utility largely dependent on purchased power resources to one directly in control and owning nearly all of its power supply resources. That plan included new generation designed to take advantage of renewables, our need and unique ability to operate in two different power markets and an increased staff to assist in the effort.

Today, we find ourselves ahead of schedule in this transition. At the same time, new challenges and opportunities present themselves. Welcome to the utility industry.

The need for our 2020 focus on new generation and market participation was identified as early as 2006. At that time four things were clear. Coal generation was facing serious challenges. Renewable energy resources were on the rise, and major new transmission facilities were needed to move renewable energy to electric consumers. Finally, wholesale power markets were the future. This situation presented potential risks as well as new opportunities for our Members and required a new focus to take advantage of markets and the inevitable changes in generation mix.

Golden Spread's response to that 2006 challenge is on the ground in 2017. Golden Spread has a fleet of quick-start and fast-ramping gas-fired generation that meets the markets' needs to complement the abundant renewable energy resources in the region. Golden Spread is purchasing much of its energy from markets that include this abundant renewable energy, allowing it to take advantage of the low-cost energy these markets produce. To maximize market opportunities, Golden Spread has in place an expanded marketing operations, compliance and regulatory staff.

The Golden Spread Executive Team is comprised of, from left, Mark Schwirtz, President and Chief Executive Officer; Scott Gross, Chief Financial Officer; John Eichelmann, Vice President, Member Services; Michelle Fishback, Vice President, Human Resources; Bill Harrelson, Chief Legal Officer; Margaret "Peg" Rupert, Chief Strategy, Information and Risk Officer; Jolly Hayden, Chief Operating Officer; and Jennifer Altmiller, Manager, Executive and Business Services.

CHAIRMAN OF THE BOARD

Golden Spread continues to face a rapidly changing industry. With major milestones related to our focus on 2020 goals well in hand, we again look into the future to set strategic goals that anticipate our Members' and more importantly their Member-Consumers' needs. Solar and storage options continue to grow. Distributed energy resources present both opportunities and challenges as an alternative to large central station power.

Golden Spread and its Members are well positioned to meet these challenges. We work with Members to retain existing load and partner with them as requested to pursue new load growth. Golden Spread supports Members with transmission options needed to serve this growth.

Distributed energy resources are a focus, with new opportunities under evaluation and the increased need for transparency in pricing clearly an issue in coming years. Golden Spread also will focus in the years ahead on new service options for its Members in areas where Golden Spread can deliver value.

We are excited about the future. We are grateful for our Board that embraces new opportunities. They put Golden Spread in the position it enjoys today, and we are confident they will meet the challenges ahead.

Mark W. Schwirtz

Stan McClendon

Renewable energy – in the form of solar and wind – continues to become more economical. Golden Spread is well-positioned to use these abundant resources because of its fleet of fast-ramping and gas-fired generation that steps in when the sun and wind are not available.

The 2016 growing season weather was characterized by well-timed rains resulting in bumper crops. Advantageous rainfalls caused a decreased need for irrigation and, in turn, lowered power sales.

Elk Station Units 2 and 3 Reach Commercial Operation, Win National Awards

In 2014, the Golden Spread Board of Directors approved the construction of a facility that could be switched between the Electric Reliability Council of Texas (ERCOT) and the Southwest Power Pool (SPP). The facility – Antelope Elk Energy Center (AEEC) at Abernathy, Texas – required a highly coordinated team effort to complete construction of Elk Station Units 2 and 3 on a tight 12-month schedule. These units achieved commercial operation in June 2016.

The Golden Spread team previously partnered with engineering firm Kiewit, and construction contractor TIC-The Industrial Company to design, procure and construct AEEC, a unique and flexible facility. The construction of Elk Station Units 2 and 3 capitalized on the experience gained in the construction of Antelope Station and Elk Station Unit 1. This breadth of experience resulted in our Golden Spread team and TIC integrating into the project a cumulative list of lessons learned that ultimately helped to build an award-winning facility recognized not only in the region but nationally, as well.

There are many aspects of the Elk Station Units 2 and 3 project that define its uniqueness. The prior Elk Station Unit 1 project was the GE fleet leader, and from there we carried on the "fleet leader" mentality by designing the world's first three-on-three redundant Load Commutated Inverter (LCI) crosstie for our three Elk Station units. This is significant because the LCI converts the generator to a motor that starts each unit, and if any one of the LCIs is down for any reason, we have the redundancy to start any turbine from any of the available LCIs, which improves reliability.

The Elk Station units became the first fossil-fueled units to deliver power on the ERCOT Competitive Renewal Energy Zone (CREZ) transmission lines, followed by the Antelope units a few months later. The CREZ system was designed to harness wind generation from the Texas Panhandle and transport it toward population centers in the central and southern portions of Texas. Golden Spread is now utilizing the CREZ system to deliver power to its ERCOT Members.

During construction, the project faced several challenges, but the most significant was a major winter storm with high winds that created snow drifts up to 11 feet in some places. The construction crew had to remove more than 220 dump truck loads of snow, causing a significant schedule delay. Despite all the challenges, the project was completed slightly ahead of schedule and under budget. This project is a great example of a tremendous team effort and a well laid-out plan.

The Elk Station units are fully tested and capable of quick starting and getting to base load in approximately 10 minutes from the push of a button. This rapid response is a critical feature for units intended to complement intermittent wind generation.

Golden Spread's Elk Station is recognized by the industry as a national and regional award winner for design and construction.

The completion of Elk Station Units 2 and 3, along with the existing Elk Station Unit 1 and Antelope Station, round out the Antelope Elk Energy Center located north of Abernathy, Texas.

The Elk Station Units 2 and 3 project was recognized with a number of awards from the Associated Builders and Contractors (ABC) and Engineering News-Record (ENR):

- ABC-South Texas Chapter Excellence in Construction Award, Industrial Project $25-$100 Million
- ABC-National Excellence in Construction Award, Industrial Project $25-$100 Million
- ABC-National Best Design Build Job, Industrial Project $25-$100 Million
- ENR-Texas and Louisiana Best Energy/Industrial Project
- ENR-National Best of the Best Energy/Industrial Project

This photo illustrates the proximity of two 345 kV transmission lines with the line on the left in the Electric Reliability Council of Texas (ERCOT) and the line on the right in the Southwest Power Pool (SPP).

New Transmission Line Provides Connectivity

Sharyland Utilities completed a 345 kV transmission line from its White River collection station near Floydada, Texas, to Golden Spread's Antelope Elk Energy Center (AEEC) and energized power on March 29, 2016.

Construction of the transmission line included a new collection station named the Abernathy Station, which is located approximately four miles northeast of the AEEC power generating complex.

On April 12, 2016, Golden Spread for the first time generated and sold power into the Electric Reliability Council of Texas (ERCOT) transmission grid with its Elk Station Unit 1 combustion turbine. The power plant generated approximately 195 MW, making it the first thermal generation to inject electricity into the ERCOT Competitive Renewal Energy Zone (CREZ) transmission system in the Texas Panhandle. Today, all 753 MW of AEEC electricity can be injected into the ERCOT transmission system.

The new Sharyland Utilities Abernathy Station connects Golden Spread's AEEC power generating complex to the ERCOT power grid.

Golden Spread obtained regulatory and market approvals to allow operation of these grid-switching facilities at AEEC, so that approximately 558 MW of generation, including 168 MW of quick-start, gas-fired reciprocating engines at Antelope Station, could switch and inject power into either ERCOT or SPP.

Antelope Station Grid-Switching Capability is Operational

The Antelope Elk Energy Center (AEEC) grid-switching project became fully functional in 2016, successfully concluding a two-year design and construction effort. The multi-year project was initiated so the Wärtsilä engines and combustion turbines could provide energy and generation services into either the Electric Reliability Council of Texas (ERCOT) or the Southwest Power Pool (SPP) in response to market conditions.

Although the Antelope Station units were originally installed to serve Member loads in SPP, the recent construction of new transmission lines in the Texas Panhandle provided an opportunity for Golden Spread to complement that commitment by adding a high-voltage connection between the plant and the ERCOT system. The new connection provides Golden Spread with the flexibility to dispatch Antelope units into either system to best meet our Members' needs.

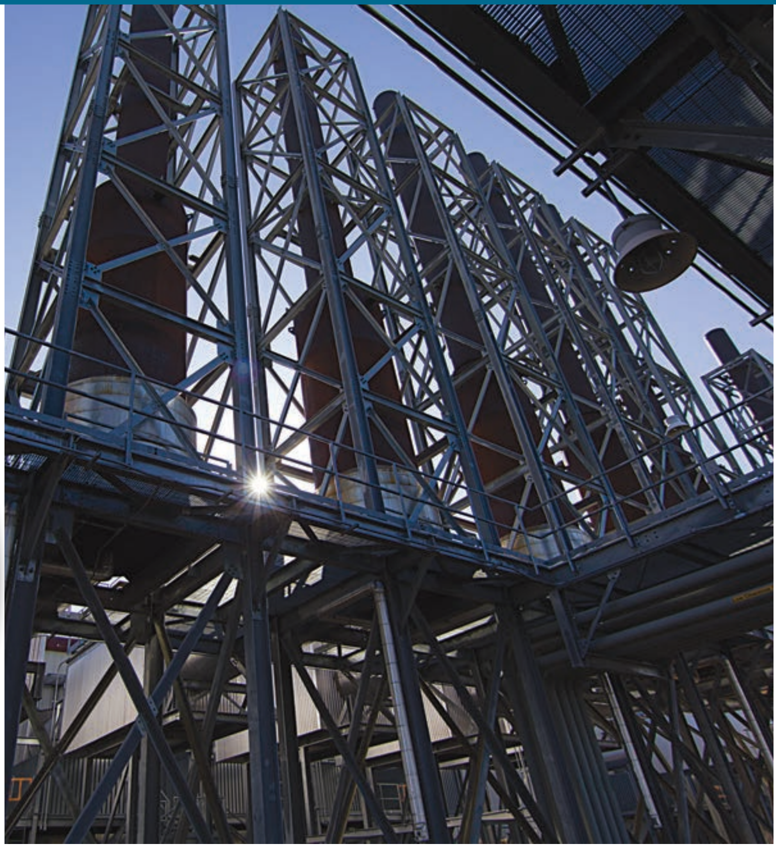
The combination of grid switching and rapid response makes AEEC unique within the ERCOT system because of its ability to start and stop quickly in support of variable wind and solar generation.

Detailed design of the grid-switching facilities began in 2014 when Golden Spread worked with engineers to refine the switching concept and began procuring equipment for the project.

The switchyard now includes both the ERCOT bus and a section of the original SPP bus, as well as several motor-operated switches between the two. The separate buses allow plant operators to disconnect an individual generating unit from one transmission system and connect it to the other system by operating pairs of coordinated switches. The equipment arrangement and operational flexibility allow us to divide the 18 reciprocating engines at Antelope Station into three groups of six engines each and allow each group to switch individually between ERCOT and SPP.

The project overcame a number of challenges in 2016, including dealing with difficult conditions created by a major winter storm, minimizing disruptions in an operating plant, satisfying regulatory requirements in two different electrical grids and mitigating the effects of a significant vendor delay. Despite the delay, the project team remained focused on its goals and completed the project with an impeccable safety record, high-quality standards and a significant budget surplus.

AEEC is a peaking facility and continues to be highly valued for its ability to respond quickly to changing generation needs. The ability to switch individual units between grids further enhances the plant's operational flexibility and value.



Top photo, construction of Elk Station Units 2 and 3 benefited from the experience gained when the team built Unit 1, with the result of a project completed ahead of schedule and under budget. Bottom photo, high voltage circuit breakers in the Antelope Station switchyard provide a critical element of protection and reliability.

Members To Realize Overall Savings

Over the past few years, Golden Spread has been building its power supply resources to meet Members' needs as power purchase agreements expired. The most recent expansion is the construction in 2016 of two combustion turbines (Elk Station Units 2 and 3) at our Antelope Elk Energy Center (AEEC), noted elsewhere in this report.

Golden Spread's two power generation plants – AEEC and Mustang Station – serve two purposes. The first purpose is to meet the capacity requirements of the Southwest Power Pool (SPP), and the second purpose is to hedge against market price spikes.

With new grid-switching capabilities at AEEC, Golden Spread can supply power to meet its Members' needs in both the Electric Reliability Council of Texas (ERCOT) and SPP grids. Since SPP load is mainly during summer months, we can use our plants for the remainder of the year to supply Member load in ERCOT.

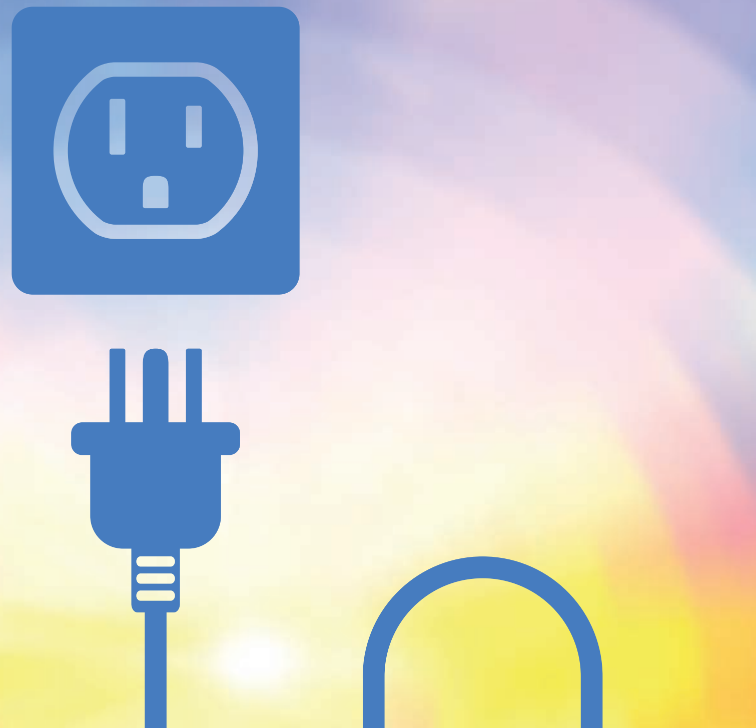
Because of the synergy created by grid-switching capability and a decrease in forecasted load growth, Golden Spread was able to cancel construction of a fourth Elk Station unit. The decision to cancel rather than proceed with construction resulted in overall cost savings for our Members.

Forecasting Tools Increase Accuracy and Efficiency

Our new load forecasting process enables Golden Spread to incorporate Member feedback, improving our long-term energy and demand forecasts. New technologies not only give Golden Spread the flexibility to offer new load forecast analyses, such as Member-level sensitivity studies, but they also enable us to easily meet the accelerated timetables for our annual budget.

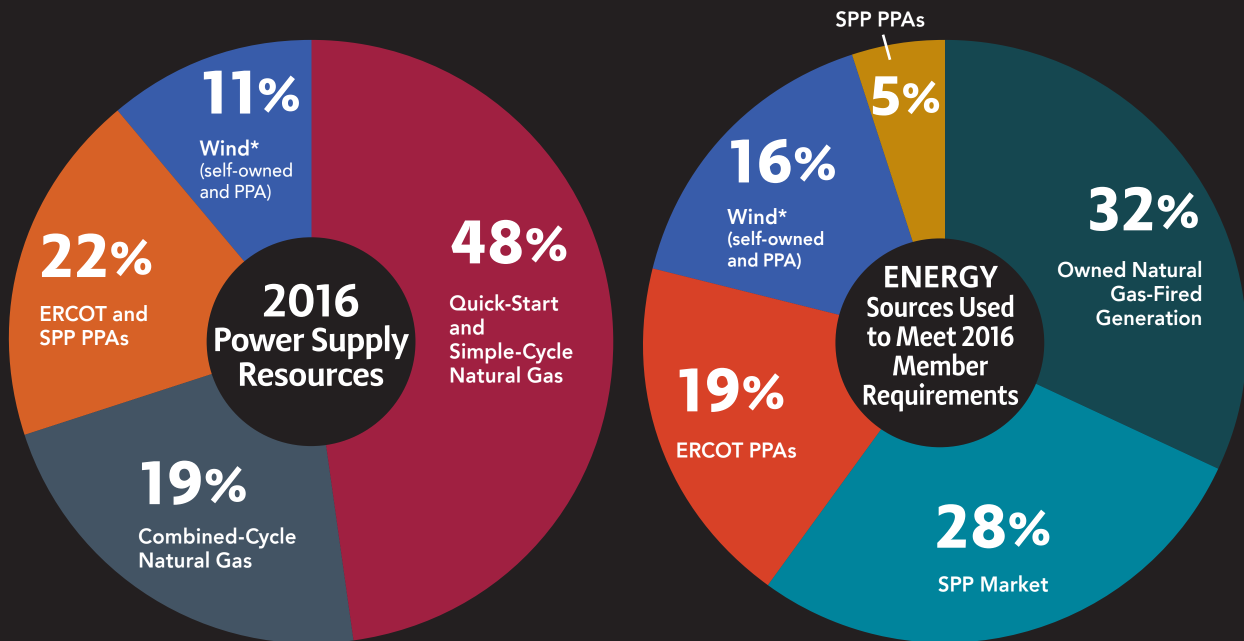
In 2016, Golden Spread also acquired a sophisticated modeling tool that enables us to produce generation, load and ancillary-services and third-party margin forecasts for annual financial forecasts and budgets in-house.

These software technology upgrades will save time and consultant expense by increasing the accuracy, efficiency and functionality of analyzing various ERCOT- and SPP-level sensitivities.



CURRENT RESOURCE OPERATIONS

Golden Spread's mission is to deliver cost effective, competitive and reliable power.



PPAs are power purchase agreements.

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

Patronage and Contributed Capital Distributions

The Golden Spread Board of Directors has authorized payment of patronage and contributed capital distributions to Members for 17 consecutive years. In March 2017, the Board authorized patronage and contributed capital distributions of $12.5 million, which is approximately 3% of the 2016 end-of-year equity balances. In March 2016 and 2015, distributions of $8.3 million and $8.0 million, respectively, were authorized and paid, which represented approximately 2% of end-of-year equity balances.

From 2001 through March 2017, more than $100.1 million in patronage and contributed capital distributions was paid.

Decrease in Operating Expenses

Golden Spread's 2016 operating costs yielded a net decrease as compared to 2015 (excluding the settlement refund* received in 2015). The net decrease in costs is attributed primarily to lower fuel and purchased power costs, which were partially offset by higher transmission costs due to additional transmission facilities in both the Electric Reliability Council of Texas and the Southwest Power Pool and an increase in depreciation expense due to the completion of generation assets in 2016. The 2016 average rate to Members was $57.62 per MWh, compared to the 2015 rate (which excludes the impact of the settlement refund) of $61.94 per MWh.

*For information about the settlement refund, turn to the Regulation section of the Management's Discussion and Analysis on page 23 of this report.

PATRONAGE AND CONTRIBUTED CAPITAL DISTRIBUTIONS

(in Millions of Dollars)

Golden Spread's Board of Directors increased the payment of patronage capital in 2017.

INVESTMENT IN UTILITY PLANT IN SERVICE

(in Millions of Dollars)

Golden Spread embarked on a major capital expansion program in 2010, driven by load growth and expiring power purchase contracts. That expansion was completed in 2016.

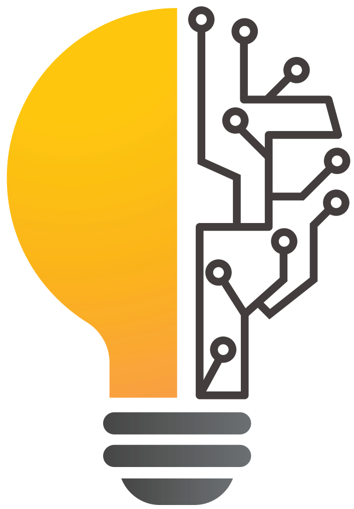
Credit Rating Upgrade

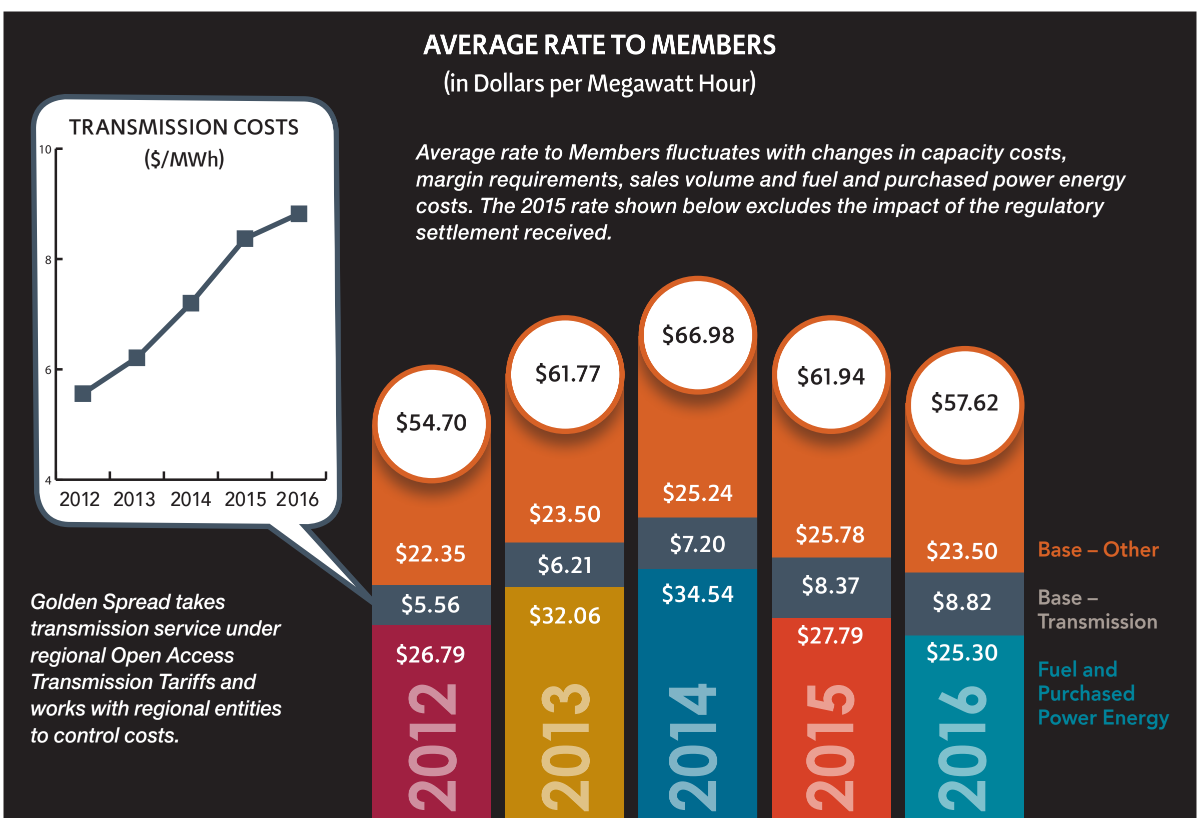
In January 2016, Standard & Poor's Financial Services (S&P) upgraded its credit rating for Golden Spread to "A+" from "A". This upgrade reflects a trend of strong financial metrics, including good coverage of total fixed costs, robust liquidity and expectations that this will continue over the next five years, with capital needs not adding significant leverage. This rating was reaffirmed by S&P in April 2017.

In December 2016, Moody's Corporation (Moody's) also upgraded Golden Spread's issuer credit rating to "A2" from "A3". The upgrade reflects credit positive traits, including improved prospects for maintaining strong financial metrics, owing to earlier-than-anticipated completion of its capital spending program to add capacity and reduce Golden Spread's reliance on purchased power.

In June 2015, Fitch Ratings reaffirmed its "A" rating on Golden Spread's 2005 Series senior secured debt. Both S&P and Moody's provide issuer credit ratings (rather than ratings of senior secured debt), which are intended to be representative of Golden Spread's ability to meet its unsecured contractual obligations.

All three rating agencies' outlooks on Golden Spread are stable.





New Methods for Analysis and Evaluation

Golden Spread continues to use new methods for evaluating strategic decisions critical to the organization's success. The foundation for these new techniques is based on the disciplines of Decision Quality (DQ) and Decision Analysis (DA). Decision Quality defines the framework for a good decision and, when combined with Decision Analysis, provides increased decision clarity in an uncertain or evolving environment.

Partnering with the Strategic Decisions Group, Golden Spread leveraged Decision Quality to evaluate potential strategic opportunities presented to the Board of Directors at its Strategic Planning Session. Decision Quality techniques, combined with internal expertise from across the organization and guidance from the Board, provide clarity for strategic direction and a path forward for Golden Spread.

Golden Spread hosted the Principles of Rates Seminar for staff of its Members.

Enterprise System Is Implemented

The culmination of more than two years of effort resulted in the successful implementation of Golden Spread's Enterprise System. This new system provides automation of manual travel and expense and accounting processes, along with new capabilities for procurement and purchasing functions.

With the completion of this foundational project, Golden Spread can now build out additional capability to support various functions throughout the organization.

Organizational culture is often thought of as nebulous and difficult to understand or articulate. At Golden Spread, we believe the culture of an organization is a key driver in how employees perform. In 2016, the leadership team set out to deliberately design the organizational culture and translate this into observable and repeatable behavioral expectations.

This journey resulted in the development of 10 Operating Principles that guide our behaviors, unify us around common expectations and help us make the right choices. These 10 principles describe how Golden Spread employees work together as a team and how we work with others outside of our organization, whether it's a Member or a partner.

The Golden Spread 10 Operating Principles guide the behavior and actions of employees and managers as we continue to focus on building a high-performance culture.

1. Start with Trust

We believe people work best when there is a foundation of trust. We respect our colleagues and have confidence in one another's abilities and intentions.

2. Serve Members

We exist to deliver outstanding service to our Members by anticipating their needs and being responsive to their requests. We provide our Board with clear, concise and valuable information.

3. Collaborate

We value diverse perspectives. We are friendly but seek out productive conflict by encouraging and listening to challenges raised by others. We have the courage to participate in discussions to reach the best possible decision. Once the path forward is determined, we all commit to it.

4. Dive Deep, Then Go Wide

We dive deep. We require data and invest in research and analysis and are skeptical when data and anecdotes differ. We also go wide. We acknowledge when we don't have all the answers and look outside Golden Spread to broaden and challenge our thinking.

5. Deliver Results

We get things done and keep our commitments. We value initiative and hard work, and we reward results. We are honest about performance and recognize excellent work.

6. Innovate and Hold High Standards

We are curious and look for ways to be better. We challenge assumptions and look for new ideas that allow us to improve the way we do business.

7. Hire and Develop the Best

We seek top talent and value subject matter expertise as a foundational skill. We are committed to bringing our operating principles and values to life.

8. Spend Resources on What Matters

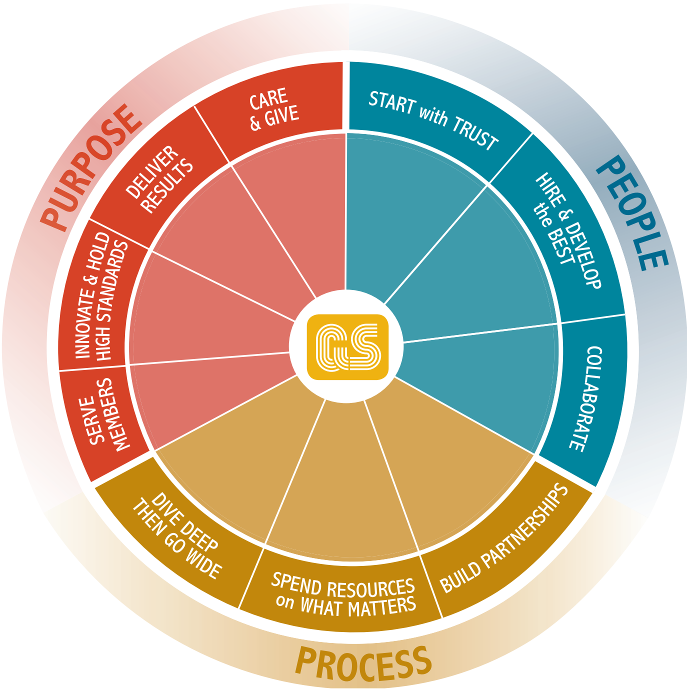
We scrutinize our work and investments against our mission and operating principles to ensure that we are creating clear value for our Members. We believe that being busy without a clear purpose is not a badge of honor.

9. Build Partnerships

We build strong partnerships. We extend our collaborative and trusting workstyle to our partners.

10. Care and Give

We care about the well-being of others.



BOARD MEMBER RECOGNITION

IN GRATITUDE

Jack Perkins and Darryl Schriver

Jack Perkins

Darryl Schriver

Jack Perkins was elected to the Golden Spread Board of Directors on March 12, 1986. He was General Manager of Tri-County Electric Cooperative, Inc., in Hooker, Oklahoma, for almost 38 years. Mr. Perkins served on several Golden Spread Committees throughout his tenure, including Executive Committee (as Vice Chairman), Competitive Strategies, Search, Finance, Wholesale Power Contract and Rate Review, Risk Management and Compensation. Mr. Perkins concluded his Board service on May 27, 2016, after 30 years of diligent and honorable service that has contributed significantly to the development and success of Golden Spread.

Darryl Schriver was elected to the Golden Spread Board of Directors on November 12, 2003. Mr. Schriver was President and Chief Executive Officer of Taylor Electric Cooperative, Inc., in Merkel, Texas, for 14 years. During his 12 years of Board service, he was a Member of several Committees, including Legislative, Search, Audit, Finance, Asset Operations, Wholesale Power Contract and Rate Review, Distributed Generation and the Golden Spread Political Action Committee. Mr. Schriver also served as an Alternate Representative for ACES. His Board service concluded on April 29, 2016. Golden Spread thanks Mr. Schriver for his steadfast and distinguished service to the Board.

IN MEMORIAM

Roger Bryan and Steve Louder

Roger Bryan

Steve Louder

In recognition of the passing of two former Board Members, Golden Spread extends condolences to the families of **Roger Bryan** and **Steve Louder**.

Mr. Bryan was a long-time resident of Norton, Texas, where he farmed. He began his service to the utility industry in 1984 when he was elected to the Board of Directors for Coleman County Electric Cooperative, Inc. (CCEC). From 1999 to 2012, he served as CCEC Board President. Mr. Bryan served on the Golden Spread Board from 2003 to 2012 and was a Member of the Policy Review Committee. The experience he brought during those years was instrumental to the success of Golden Spread.

Mr. Louder served on the Golden Spread Board of Directors for 21 years. He was named General Manager of Deaf Smith Electric Cooperative, Inc., in Hereford, Texas, in 1992 and served until his retirement in 2014. During Mr. Louder's Golden Spread Board tenure, he served on the Executive Committee as Secretary and Treasurer of the Board and was Secretary of the Audit Committee. He was elected to the position of Golden Spread Representative to the ACES Board of Managers and served on the Finance Committee. Mr. Louder's service on the Golden Spread Board concluded in 2013. His tireless contribution to the electric industry will be remembered.

GOLDEN SPREAD BOARD OF DIRECTORS

STAN MCCLENDON – Chairman

WILLIAM "BUFF" WHITTEN – Vice Chairman

BILL HARBIN – Secretary/Treasurer

BAILEY COUNTY ELECTRIC COOPERATIVE
- Darrell Stephens
- 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
- Gaylord Groce
- Bill Harbin

LYNTEGAR ELECTRIC COOPERATIVE
- Earl Brown
- 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
- Jimie Reed
- Dwain Tipton

TAYLOR ELECTRIC COOPERATIVE
- Cecil Davis
- Ryan Bartlett

TCEC
- Shawn Martinez
- Zac Perkins

GOLDEN SPREAD OFFICERS

MARK SCHWIRTZ – President and Chief Executive Officer

JOLLY HAYDEN – Chief Operating Officer

BILL HARRELSON – Assistant Secretary and Chief Legal Officer

SCOTT GROSS – Assistant Treasurer and Chief Financial Officer

MARGARET "PEG" RUPERT – Chief Strategy, Information and Risk Officer

Two 2016 scholarship recipients – Justice Harper (North Plains Electric Cooperative, Inc.), left, and Ben Waller (Lyntegar Electric Cooperative, Inc.), right – join Opportunity Plan Executive Director Keith Brown at the 2016 Golden Spread annual meeting.

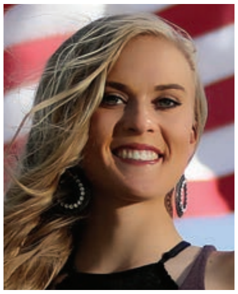
2017 Directors' Memorial Scholarship Recipients

McKenzie Arrott
Coleman County Electric Cooperative

Jadeyn Arthur
South Plains Electric Cooperative

Kendall Barnett
Deaf Smith Electric Cooperative

Alex Eichelmann
Greenbelt Electric Cooperative



Mattisun Hester
Bailey County Electric Cooperative

Macy Lange
Coleman County Electric Cooperative

Andi McMillin
South Plains Electric Cooperative

Kennedy Venneman
North Plains Electric Cooperative

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.

In 2016, the Board made several significant changes to the scholarship policy. First, the number of scholarships increased from six to eight per year. Second, students who live in Colorado, Kansas, New Mexico and Oklahoma are eligible for the scholarships. And third, students attending technical trade schools also will be eligible.

The scholarships are designated for students from 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.

The scholarship pays a total of $2,000, providing $500 for each of four semesters for a student's first two years. Seven students received scholarships in 2016. More than $73,000 in scholarship funds have been disbursed to 66 recipients since the first scholarship was awarded in 1995.

Currently, the scholarship fund has a balance of $157,000 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 information.

IMPROVING OUR COMMUNITIES

Each year, the Golden Spread Board of Directors approves a budget for the organization's Community Involvement Committee to meet charitable goals. These funds are used by Golden Spread to help charitable organizations across the Golden Spread Members' territory.

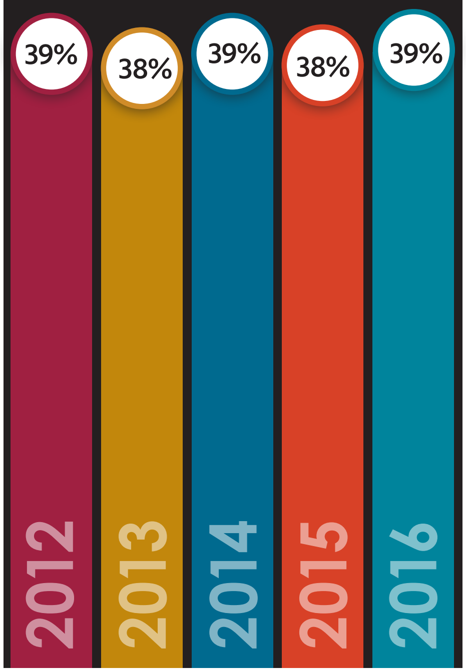
Through the generosity of our Board and employees, we were able to donate to Snack Pak 4 Kids, WISE-Women in Science Endeavors, Eveline Rivers Christmas Project, Big Brothers Big Sisters, Center City, the Salvation Army and many more worthy causes. In addition to receiving funds, many of these organizations offered opportunities for Golden Spread employees to use their volunteer hours to support charitable activities.

Golden Spread is focused on accommodating distributed energy resources – such as Member-Consumer owned wind and solar installations – and are evaluating new opportunities, as well as increased pricing transparency.

Mike Wise, Senior Vice President
Golden Spread Electric Cooperative, Inc.
Commercial Operations and Transmission

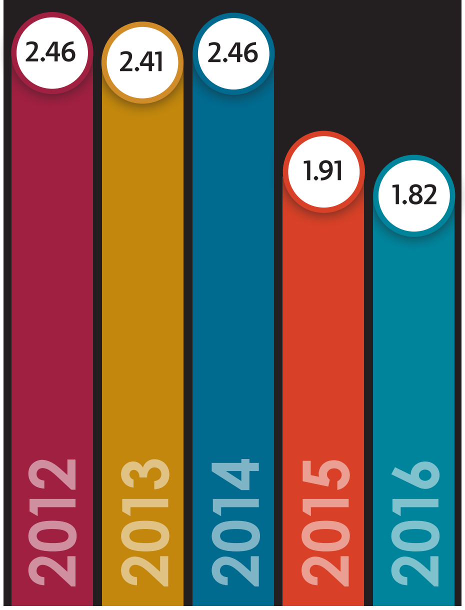
EQUITY/CAPITALIZATION

As Golden Spread progressed through its addition of generation, its equity/capitalization ratio remained stable for 2012 through 2016.



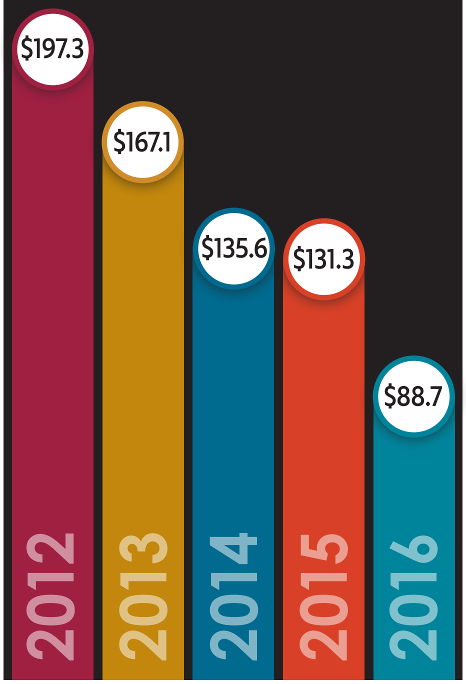
DEBT SERVICE COVERAGE (DSC) RATIO

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 were completing the generation expansion plan, the Board in 2016 and 2015 approved a reduction in the margin.



CASH LIQUIDITY (in Millions of Dollars)

Cash, cash equivalents and short-term investments fluctuate based on the cash liquidity needed to fund construction expenditures. Golden Spread targets cash balances of at least 90 days cash operating expenses at all times.



FINANCIAL INFORMATION

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, 2016 and 2015, and for the three years ended December 31, 2016, 2015 and 2014. At December 31, 2016 and 2015, 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. On September 30, 2015, Golden Spread closed on the sale of its 100% ownership interest of Fort Concho Gas Storage, Inc. (FCGS), which owned a natural gas storage facility, to an unaffiliated third party.

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 290,836 services in place, which represents approximately 235,171 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 the Federal Energy Regulatory Commission (FERC) regulation with respect to the rates it charges its Members for wholesale power supply.

Since 2010, Golden Spread has been executing a multi-year power supply plan which includes capital expansion to add new generation to replace expiring power purchase agreements and to meet the growing load requirements of its Members. As part of this execution, Golden Spread needed to generate cash and equity at levels necessary to achieve and maintain our target financial objectives and retain high investment-grade credit ratings (currently "A" or better from the three main credit rating agencies). To achieve these financial objectives, the Golden Spread Board of Directors acted in 2009 to change the Member rate to include an Equity Stabilization Charge (ESC) to generate margins needed to supplement margins and equity from other sources. Our target financial objectives are:

- 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 construction program and collateral for credit markets.

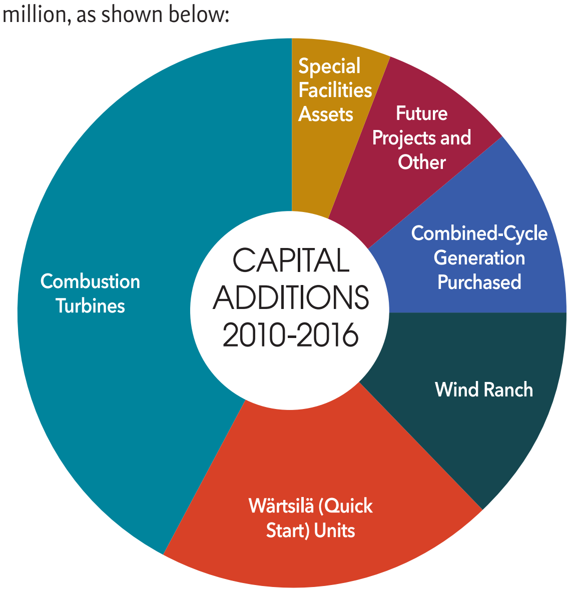
As Golden Spread strives to enhance our power supply plan to deliver competitive energy solutions for our Members, we continually evaluate how best to utilize existing plant capacity and be flexible in how we add resources (e.g. owned and contracted) to our power supply portfolio while achieving our 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.

Capital Expansion

Over the last seven years, we have completed 996 MW of new generation at a total cost, including Allowance for Funds Used During Construction (AFUDC), of $663.2 million and purchased an additional 244 MW at a cost of $94.4 million. In 2015, we began construction of two 195 MW simple-cycle units which began commercial operation in June 2016. During 2014, construction began on a 195 MW simple-cycle unit which began commercial operations in June 2015. Total capital expenditures during this time were $882.2 million, as shown below:



Our generation expansion plan was completed in 2016 with the addition of 390 MW of simple-cycle generation.

This completed construction for new generation provides the additional capacity needed to replace expiring power purchase agreements and to meet the growing demand and energy needs of our 16 Members and their Member-Consumers. Of the 760 MW of third-party power purchase agreements at the end of 2016, 560 MW will terminate by May 31, 2017. The remaining 200 MW (wind contracts) terminate in 2032 and 2034.

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 our position in regional markets and federal and state regulatory proceedings that affect our operations. Golden Spread's rates for 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 the Federal Energy Regulatory Commission (FERC). Within the Electric Reliability Council of Texas (ERCOT) region, Golden Spread's rates for sales and the rates it pays for purchases of wholesale power and transmission services are regulated by the Public Utility Commission of Texas (PUCT). Golden Spread operates in both the ERCOT and Southwest Power Pool (SPP) wholesale power supply markets. Their 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 fleet of generation. In these important arenas, Golden Spread remains active and has had some significant successes.

The global settlement entered into with Southwestern Public Service Company (SPS) in 2015, which resulted in a direct refund of $44.86 million to Golden Spread that was paid to our Members in December 2015, continues to bring rate stability through prospective rate treatments that affect SPS's production and transmission rates. As a result, Golden Spread has significantly reduced its rate litigation activities with SPS before FERC. Prospective benefits of the global settlement include, but are not limited to, a moratorium on increases to SPS's proposed rate of return on equity that will continue for several more years. Additionally, with the addition of the new Elk generating station units and changes to load forecasts, Golden Spread was able to provide notice to SPS of early termination of the Replacement Power Sales Agreement, effective mid-2017 rather than the second quarter of 2019. This action will save Golden Spread purchased power costs.

Related to SPS matters, in January 2016, Xcel Energy Southwest Transmission Company (XEST), an affiliate of SPS, filed with FERC to acquire from SPS 345 kV transmission assets located in Kansas and Oklahoma, and to enter into certain operation and maintenance agreements with SPS associated with the transfer. Golden Spread protested aspects of the transfer, principally to ensure that the XEST rates associated with the assets to be transferred from SPS would incorporate the beneficial rate treatments SPS agreed to as part of the global settlement. Ultimately, Golden Spread and SPS entered into an agreement that was filed in May 2016 that would have preserved these rate benefits. But due to regulatory hurdles in state proceedings, SPS and XEST ultimately withdrew their proposed transaction from consideration. No further transfers have been proposed.

Golden Spread's FERC-approved rate schedules for sales to its Members are formula rates that allow recovery of all of Golden Spread's costs plus a margin, and includes 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. On February 23, 2016, FERC accepted a revision to Exhibit C of the Wholesale Power Contract between Golden Spread and Tri-County Electric Cooperative, Inc. (TCEC) that adds to the list of long-term purchased power resources, a purchase from a 1 MW solar powered electric generation facility located adjacent to TCEC's corporate office. Cost responsibility for the purchase will be accommodated solely through TCEC's contract, effective January 31, 2016. Golden Spread submitted only one new rate change filing to FERC in 2016, as compared to four in 2015. On July 7, 2016, FERC accepted changes to each of the Member rate schedules to implement: (i) a new version of Rider F – Wind Generation Auxiliary Service Rider to address service by Golden Spread to its Members that provide Auxiliary Back Feed Service (ABF Service) to the wind generators in their respective service territories, and (ii) technical amendments to the System Service Rate (SSR) Schedule and Rider G – Rate Stabilization Rider to clarify the calculation and payment of interest to Members under the reconciliation provisions. No changes to the FERC rate schedule are currently pending.

Golden Spread's open access transmission tariff rate applicable to transmission wheeling service to third parties across assets it owns on behalf of its Members pursuant to the Special Facilities Agreement is also an annually adjusting, cost-based formula rate. New formula rate charges were calculated and filed on an informational basis with FERC, effective July 1, 2016, and will adjust every July 1. Golden Spread's sole transmission customer, Pleasant Hill Wind Energy, LLC, has entered into a contract for 20 MW firm point-to-point service under the tariff, terminating on April 1, 2034. The new charges that took effect in 2016 produced a nominal increase in revenues from this customer. Golden Spread also submitted compliance filings with respect to generic rulemakings that impact the generator interconnection process under FERC Order Nos. 827 and 828.

In April 2016, Golden Spread initiated two proceedings at FERC related to compliance with the Public Utilities Regulatory Policy Act of 1978 (PURPA). One application, filed on behalf of itself and seven of its ERCOT Members, sought relief on a service territory-wide basis within ERCOT from the requirement to purchase energy and capacity from qualifying facilities (QFs) with net capacity over 20 MW. The other application, filed on behalf of itself and all 16 of its Members, requested that Golden Spread assume its Members' obligations to make wholesale purchases from QFs, while Members assume Golden Spread's obligation to make retail sales to QFs. Both applications were approved by FERC in June 2016.

In late May 2016, SPS submitted an application to FERC proposing an interconnection switching fee that would govern the costs that would be charged to Lubbock Power & Light (LP&L) if it disconnects load from the SPS/SPP transmission grid and interconnects the load with ERCOT. SPS also proposed amendments to its transmission formula rate to provide a credit to customers, including Golden Spread, for the revenues it would collect under its proposed interconnection switching fee. SPS claims that if LP&L moves a majority of its load, approximately 433 MW or approximately 7.4% of the load in the zone, there would be a shift of approximately $13.8 million of zonally-allocated "sunk" transmission costs per year to other wholesale and retail customers in the SPS zone. With a present value of approximately $88.7 million, assuming the earliest possible exit date of LP&L in June 2019, Golden Spread's estimated share of this revenue as an SPS transmission customer would be roughly $12.4 million. Golden Spread intervened in the proceeding, indicating that it did not oppose the imposition of an exit fee should LP&L move its load to ERCOT, but noted that the analysis of any exit or stranded cost fee should be done on a case-by-case basis. Golden Spread also noted that if the exit fee is not permitted by FERC, Golden Spread and other customers should not be foreclosed from the opportunity to challenge the appropriate cost allocation to the remaining wholesale customers.

Several other parties also intervened in the proceeding. On September 20, 2016, FERC issued an order addressing SPS's proposed interconnection switching fee. FERC elected to defer any decision. FERC explained it was dismissing SPS's request "without prejudice" to SPS renewing it in the future, after the Public Utility Commission of Texas decides whether to permit the LP&L move of its load to ERCOT. Golden Spread is participating in the related Texas proceedings, which are anticipated to continue through 2017.

Golden Spread was and remains active in FERC's investigation of energy price formation in wholesale power markets. FERC's investigation has led to several initiatives in the SPP, including an effort to improve the market's treatment of fast-start and ramping resources, such as Golden Spread's reciprocating engines and new gas-fired combustion turbines at Antelope Elk Energy Center (AEEC), cost recovery of variable operations and maintenance costs, triggers for shortage pricing, allocation of uplift payments to generators and other important market design features. These initiatives should lead to SPP market reforms that improve the efficiency of the market and better reflect the value of fast-start and ramping resources that support the SPP's integration of a substantial and growing fleet of intermittent renewable resources. On June 16, 2016, FERC issued Order No. 825 that adopted a shortage pricing rule which requires each regional transmission organization, such as the SPP, to (i) align settlement and dispatch intervals and (ii) establish a mechanism to trigger shortage pricing for any dispatch interval in which a shortage of energy or operating reserves is indicated. FERC states that this reform will "ensure that resources operating during a shortage are compensated for the value of the service they provide, regardless of whether the shortage is short-lived." On December 15, 2016, FERC issued a Notice of Proposed Rulemaking that would require regional grid operators to adopt market rules that meet certain requirements to improve pricing for fast-start resources. Golden Spread engaged in advocacy before the SPP and FERC to support FERC's initiatives. Golden Spread also participated in regulatory proceedings at FERC to implement tariff revisions that will allow combined-cycle generating facilities such as Mustang Station to register as Multi-Configuration Resources effective as of March 1, 2017. These tariff revisions will assist Golden Spread in offering Mustang Station to the market in a manner that allows the market to optimize and select the best operating mode for such resources.

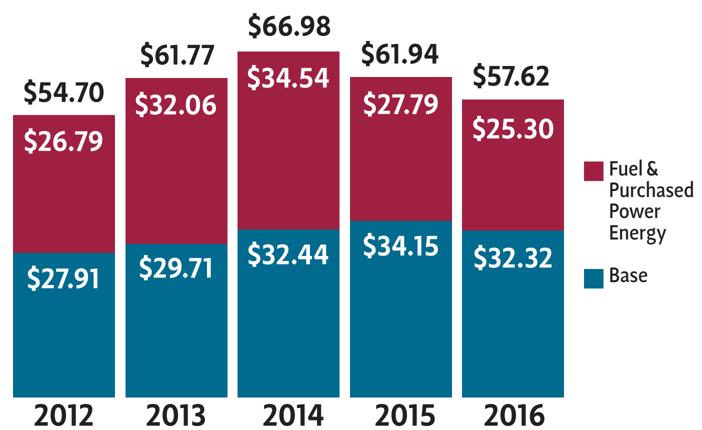
In addition, SPP has instituted a Z2 crediting process that reallocates transmission upgrade costs across the SPP region. Some of the direct assigned costs under Attachment Z2 of the SPP Tariff have been reallocated by SPP to Golden Spread. In 2016, two cases were filed by the SPP at FERC to (i) secure requisite waivers of certain tariff provisions to implement a solution that will facilitate a billing and crediting process to alleviate the eight-year backlog that has developed under Attachment Z2, and (ii) to allow for a five-year payment plan for those that may have significant balances that are owed to the SPP. FERC largely accepted both SPP petitions. Through the work of Golden Spread staff, the Attachment Z2 regionally assigned costs reallocated to Golden Spread were reduced from $4.3 million to approximately $1.3 million (net of credits that will be payable to Golden Spread). These costs were billed to Golden Spread in November 2016; Golden Spread does not see these costs as having a significant impact on its overall transmission cost structure. On November 21, 2016, Kansas Electric Power Cooperative, Inc. (KEPCo) filed a complaint against SPP requesting that FERC find SPP's direct cost assignment of approximately $6.2 million to KEPCo in connection with the Z2 revenue crediting process unlawful under the Federal Power Act. Golden Spread is actively participating in this case initiated by KEPCo.

Golden Spread has supported and continues to support the National Rural Electric Cooperative Association's and other parties' legal challenges to the EPA's new regulations on emissions at existing power plants, known as the Clean Power Plan. The U.S. Supreme Court halted implementation of the Clean Power Plan by issuing a stay on February 9, 2016. Nevertheless, Golden Spread also actively engaged to shape the EPA's regulations. Unlike many other cooperatives, Golden Spread does not own coal-fired generating resources. Our active participation in the EPA's separate rule-making governing emissions at new power plants allowed us to successfully protect against unreasonable restrictions on the operation of our new gas-fired combustion turbines at AEEC. With the change of administrations in late 2016, the EPA initiatives are largely on hold, and anticipated to be substantially reduced or eliminated.

After concerted market and regulatory efforts spanning more than two years, Golden Spread began its innovative "grid-switching" operations in the second quarter of 2016, allowing it to inject power from generating units at the AEEC into either of the two power markets and related transmission grids, ERCOT or SPP, in which it operates to serve its Members' loads. Golden Spread obtained authority and rules that allow it to flexibly operate its switchable generation, culminating in a reliability coordination agreement between ERCOT and SPP that addresses grid-switching operations and FERC's grant of a declaratory order finding that those operations will not disturb the State of Texas' existing exclusive authority over ERCOT. These actions secure Golden Spread's ability to flexibly and reliably operate our grid switching in both markets, increasing the efficiency and reliability of both markets, as well as the value of these assets to our Members.

Rates

AVERAGE RATE TO MEMBERS ($/MWh)



In the chart above, the 2015 rate does not include the impact of the global regulatory settlement with SPS, as discussed previously.

With the additional capacity resulting from the 2015 and 2016 generation resource additions, combined with the abundance of wind and coal resources in the SPP control area in which we operate, we took advantage of low energy prices available in the SPP market. In 2016 and 2015, 27.6% and 47.2%, respectively, of the energy needed to serve our Members' SPP load was purchased from the SPP market. 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 from 2015 to 2016. 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 $40.3 million in 2015 to $42.9 million in 2016, an increase of 6.5%. In ERCOT, transmission expenses increased from $11.6 million in

2015 to $12.7 million in 2016, an increase of 9.5%. Transmission expenses are expected to continue to increase as more of the planned transmission projects are placed in service. For 2017, we have budgeted $63.5 million for transmission expenses compared to 2016 actual costs of almost $57.2 million.

The decrease in base rates was also affected by lower purchased power capacity costs, lower margin requirement and higher MWh sales offset by higher depreciation due to new generation plants coming online. The 2016 Board-approved Equity Stabilization Charge (ESC) also included a reduction from 2015 levels reflecting a completion of the current generation capital expansion plan. The rate increase in 2015 was impacted by lower MWh sales. The upward pressure on the 2015 base rate caused by lower MWh sales was mitigated by a Board-approved reduction in the ESC.

RESULTS OF OPERATIONS

Sales

Sales are summarized in the following table:

SUMMARY OF SALES AND REVENUE

	Years Ended December 31		
	2016	2015	2014
Operating Revenues ($ in 000s)			
Member Sales	$ 373,977	$ 389,692	$ 464,079
Settlement Refund	-	(44,862)	-
Nonmember Sales	23,838	18,738	43,646
Other	10,598	9,605	7,928
Total Operating Revenues	$ 408, 413	$ 373,173	$ 515,653
Megawatt-Hour Sales (MWhs in 000s)			
SPP Member Sales	5,148	4,857	5,483
ERCOT Member Sales	1,342	1,435	1,446
Total Member Sales	6,490	6,292	6,929
Nonmember Sales	1,418	555	877
Total MWh Sales	7,908	6,847	7,806
Average Rate to Members ($/MWh)	$ 57.62	$ 61.94	$ 66.98

The average rate (excluding Settlement Refund in 2015) to Members decreased 7.0% in 2016, compared to 2015, due to a decrease in fuel and purchased power energy costs, lower purchased power capacity cost and lower margin. These decreases were partially offset by higher transmission rates in ERCOT and SPP and higher depreciation expenses. These factors resulted in slightly lower operating revenues in 2016 as compared to 2015, excluding regulatory refund. Fuel and purchased power energy costs to Members averaged $25.30 per MWh in 2016, lower than the average price in 2015 of $27.79 per MWh and lower than the 2014 average price of $34.54 per MWh.

The average fuel and purchased power energy costs correlate to the changes in natural gas prices which averaged $2.30 per MMBtu in 2016, $2.76 per MMBtu in 2015 and $4.50 per MMBtu in 2014 (average natural gas prices represent the annual average natural gas prices per MMBtu delivered to Golden Spread's generating stations), but were also affected by market prices which were impacted by natural gas prices and increased wind energy.

Member energy sales in 2016 were higher than 2015. In the past few years, Member sales have been impacted by growth in the oil and gas industry and variability in weather which impacts irrigation sales. Irrigation sales represented 25.8% and 21.1% of megawatt-hour sales to Members in 2016 and 2015, respectively, both declines from the 27.4% related to irrigation loads in 2014 when drought conditions existed. For the period of 2012-2016, we have seen five-year annual compounded growth rate in Members' energy sales of (1.1)%. The five-year annual compounded growth rate in peak demand was 0.2% over the same time period. The unseasonably wet and cool conditions in 2016 and 2015 were the major contributors to the decline in sales and growth rates for the five-year period.

Energy sales to nonmembers were much higher in 2016 as compared to 2015. The increase in nonmember sales and related margins is a direct result of having generation resources, including two new 195 MW simple-cycle units which began commercial operations in June 2016 and were available in the ERCOT region beginning mid-2016. In the fall of 2014, Mustang Station entered a planned outage. A series of events and repairs left the Mustang Station combined-cycle facility out of service for all of 2015 contributing to reduced nonmember sales and margins in 2015. Mustang Station came back on-line in January 2016; however, this unit experienced another outage in September 2016. The unit has been repaired and returned to service in early 2017. Currently, Golden Spread purchases power to serve its Members in ERCOT from AEP Energy Partners under a full-requirements contract that will terminate mid-2017.

Net Margins

Net margins for 2016 were $10.0 million as compared to $28.3 million in 2015 and $31.9 million in 2014. The decline in net margins from 2014 to 2016 is due primarily to a decision by the Board to reduce the ESC for 2016 and 2015. As we completed our generation expansion plan in 2016, the need for higher margins to support capex and financial metrics has decreased. A comparison of the components of net margins is set forth in the following table:

	Years Ended December 31		
Dollars in thousands	2016	2015	2014
Margins in Member Rates and Other	$ 15,782	$ 25,807	$ 35,609
Nonmember Sales Margins	6,577	2,517	7,668
Impairments and Other Costs	(12,310)	-	(11,332)
Net Margins	$ 10,049	$ 28,324	$ 31,945

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 energy sales, natural gas prices and the markets' need for ancillary services. Nonmember sales margins are primarily attributable to sales in the ERCOT and SPP markets. When our resources were not needed to serve Members' loads, we sold power into the ERCOT and SPP markets when prices were above our incremental production cost. Nonmember sales margins in 2015 were lower because the combined-cycle facility was in an outage for the full year.

For 2016, 2015 and 2014, 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 all three 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. 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 $12.3 million on the statement of income in 2016.

In October 2008, FCGS, our wholly owned subsidiary, purchased a 2 Bcf natural gas storage facility for future use as a potential generation site. In 2013, the decision was made to suspend development at this site. In 2014, the decision was made to shut down the facility. The plan in 2014 involved continuing to operate through the early part of 2015 and shutting down the facility before the end of 2015. Consequently, in 2014, we recorded a pre-tax impairment loss of $10.7 million on the statement of income which included $10.4 million reduction of other property and $0.3 million loss in charges for other shutdown costs. Furthermore, we recorded another $0.6 million of costs related to the Asset Retirement Obligation. In 2015, an opportunity for sale of the facility developed, and Golden Spread sold its 100% ownership interest in FCGS to an unaffiliated third party, effective September 30, 2015, in lieu of shutting down the facility.

Operating Expenses

Operating expenses are summarized in the table below:

	Years Ended December 31		
Dollars in thousands	2016	2015	2014
Fuel and Purchased Power Energy	$ 170,920	$ 176,074	$ 253,684
Settlement Refund, excluding interest	-	(39,442)	-
Purchased Power Capacity	21,632	32,608	42,488
Transmission	57,219	52,690	49,875
Plant Operations and Management	12,762	9,761	9,111
Plant Maintenance	10,603	14,491	10,682
Administrative and General	30,645	27,812	26,885
Depreciation	39,294	33,668	38,089
Taxes Other than Income Taxes	8,538	7,008	5,664
Other	7,910	10,069	9,306
Total	**$ 359,523**	**$ 324,739**	**$ 445,784**

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. We provide for Member load the lowest cost resources available. Our partial requirements (PR) agreement with SPS has at times been an economical source depending upon generation mix embedded in PR price. The drop in natural gas price made PR less economical and purchases in 2016 and 2015 were 342,546 MWh and 327,261 MWh, respectively. In 2014, we purchased 1,732,856 MWh under this agreement.

The difference between the average price per MWh sold to Members and the average fuel and purchased power energy cost per MWh decreased from $32.44 per MWh in 2014 to $32.32 per MWh in 2016. This difference between the average selling price to Members and the average fuel and purchased power energy cost per MWh represents the recovery of all other expenses of operations and provides for the Members' contribution to net margins. This average selling price is impacted by MWh sales.

Transmission costs increased from 2014 to 2016 and are expected to continue to increase in the future as previously discussed in the Rates section of the Overview.

Plant maintenance expenses vary from year to year based upon the schedule of required planned maintenance and maintenance costs resulting from unplanned outages. The favorable year-over-year variance for 2016 as compared to 2015 is primarily due to the 2015 unplanned outage at Mustang Station that lasted most of the year, resulting in higher maintenance expenses in 2015. The favorable variance in maintenance expenses was partially offset by higher maintenance expense at AEEC that occurred in 2016 as compared to 2015 coupled with increased expenses related to the transition to a new third-party operator for Mustang Station and AEEC.

Administrative and general costs increased in 2016 as compared to 2015 and 2014 primarily due to an increase in number of employees and employee-related expenses. At the end of 2016, we had 86 employees which is a 6.2% increase over the 2014 level of 81 employees. Administrative and general costs also increased due to higher property and casualty insurance costs.

Depreciation expense increased in 2016 as compared to 2015 and 2014 due to a full year of depreciation on Elk Station Unit 1 and seven months of depreciation on Elk Station Units 2 and 3, which began commercial operation in June 2016. Depreciation expense was lower in 2015 as compared to 2014 due to no depreciation being recorded for FCGS.

Taxes other than income taxes, which is comprised of payroll and property taxes, increased in 2016 as compared to 2015 and 2014. Payroll taxes increased due to the increase in number of employees. Property taxes increased as a result of completion of construction projects, including Elk Station Units 1, 2 and 3 and several projects related to transmission and distribution.

Liquidity and Capital Resources

As of December 31, 2016, Golden Spread had available cash, cash equivalents and short-term investments of approximately $88.7 million. We also had lines of credit totaling $240.0 million for liquidity purposes such as the financing of our current construction program, meeting contractual obligations and for other liquidity needs. As of December 31, 2016, $42.4 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 June 2016, we renewed, for $30 million (previously $60 million) an unsecured committed line of credit from Amarillo National Bank. This line of credit expires June 2018. In addition to the cash balances maintained at each year end, we also had additional borrowing capability of approximately $254.6 million under the Trust Indenture at December 31, 2016.

LINE OF CREDIT USAGE

	Years Ended December 31		
	2016	2015	2014
Maximum Amount Borrowed on Lines of Credit (in Millions)	$ 75.1	$ 55.1	$ 61.6
Average Interest Rate	1.58%	1.64%	1.53%

Golden Spread and Prudential Investment Management, Inc. (Prudential) executed a two-year shelf financing arrangement on January 9, 2015. Golden Spread and National Rural Utilities Cooperative Finance Corporation (CFC) executed a similar two-year shelf financing arrangement on January 23, 2015. This arrangement with CFC has been amended to extend the agreement one year. Golden Spread and CoBank executed a similar two-year shelf financing agreement on May 7, 2015. These shelf financing arrangements facilitate 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 has any obligation to borrow or loan funds pursuant to this agreement. These financing arrangements established terms and conditions, maximum financing capacity and a process by which Golden Spread can request rate quotes and Prudential, CFC and/or CoBank can provide rate quotes, if Prudential, CFC and/or CoBank choose to do so. This process related to rate quotes allows each party to decide 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.

The following table details our fixed contractual obligations for 2017 through 2021.

CONTRACTUAL OBLIGATIONS AT DECEMBER 31, 2016

Dollars in thousands	Payments Due			
	Total 2017-2021	2017	2018-2019	2020-2021
Principal Payments on Long-Term Debt	$ 116,712	$ 21,421	$ 45,576	$ 49,715
Interest Payments on Long-Term Debt	129,856	28,069	53,085	48,702
Purchased Power Obligations[1] - Demand	12,528	12,528	–	–
Purchased Power Obligations[1] - Energy	143,403	50,396	46,246	46,761
Long-Term Service and Parts Agreement	31,986	5,499	12,852	13,635
Wind Ranch Land Lease	3,676	712	1,482	1,482
Operating Leases	1,262	340	685	237
Total	$ 439,423	$ 118,965	$ 159,926	$ 160,532

[1]Based 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. The Board approved a 3% payout of the 2016 equity balance, which resulted in a 2017 payment of $12.5 million in patronage and contributed capital distribution to our Members. In prior years, the Board had approved a 2% payout, which resulted in a 2014 payment of $7.5 million, a 2015 payment of $8.0 million and a 2016 payment of $8.3 million in patronage and contributed capital distributions to our Members.

We have financed our capital expansion plan by maintaining adequate cash levels and lines of credit to finance construction on an interim basis and when interest rates and other terms were advantageous, we went to the market for long-term financings.

The new resources added will be used to serve load growth and replace expiring wholesale power contracts. We have a power supply portfolio that includes a mix of owned generation and purchased power that provides energy primarily from a combination of renewable and gas-fired resources to supply our Members with reliable and reasonably priced power. We maintain target financial ratios and objectives that are deemed appropriate to ensure adequate liquidity, equity and debt service coverage ratios to support the additional debt that will be needed to fund any future capital expenditures.

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 2016, Moody's Investor Services upgraded its general corporate credit rating to A2 from A3 (unsecured) with a stable outlook. In January 2016, Standard & Poor's Rating Services upgraded our rating to A+ from A, with a stable outlook. This rating was reaffirmed by S&P in April 2017. In June 2015, 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.:

Report on the Financial Statements

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, 2016 and 2015, and the related consolidated statements of income, changes in Members' equity, and cash flows for the years then ended, 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, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Albuquerque, New Mexico
April 17, 2017

CONSOLIDATED BALANCE SHEETS

	December 31	
ASSETS	**2016**	**2015**
Utility Plant at Cost		
Electric Plant in Service	$ 1,119,944,910	$ 889,506,107
Capital Maintenance	30,808,195	31,274,700
Construction Work in Progress	11,083,962	174,251,610
Less: Accumulated Depreciation - Plant and Equipment	225,132,230	189,585,112
Less: Accumulated Amortization - Capital Maintenance	14,313,889	13,377,534
Total Utility Plant	$ 922,390,948	$ 892,069,771
Other Property and Investments – at Cost or Stated Value		
Investments in Associated Organizations	$ 4,979,743	$ 4,775,233
Plant Held for Future Use	1,249,124	40,486,369
Other Property	42,141,325	15,200,788
Total Other Property and Investments	$ 48,370,192	$ 60,462,390
Current Assets		
Cash and Cash Equivalents	$ 65,908,557	$ 106,603,565
Short-Term Investment Securities	22,800,000	24,693,415
Accounts Receivable	32,995,178	26,974,666
Prepaid Capital Maintenance	17,719,397	15,522,464
Prepaid Expenses and Other Current Assets	18,290,344	26,425,207
Total Current Assets	$ 157,713,476	$ 200,219,317
Other Assets		
Deferred Charges	$ 3,417,104	$ 4,622,350
Other	3,693,136	3,844,949
Total Other Assets	$ 7,110,240	$ 8,467,299
TOTAL ASSETS	$ 1,135,584,856	$ 1,161,218,777
MEMBERS' EQUITY AND LIABILITIES		
Members' Equity		
Patronage Capital	$ 406,424,905	$ 404,440,228
Contributed Capital	11,562,052	11,797,296
Total Members' Equity	$ 417,986,957	$ 416,237,524
Long-Term Debt		
Mortgage Notes Less Current Maturities	$ 593,235,320	$ 611,307,197
Current Liabilities		
Current Maturities of Long-Term Debt	$ 21,281,576	$ 50,397,693
Notes Payable	42,353,828	4,519,719
Accounts Payable	27,916,216	35,597,145
Other Accrued Expenses	26,479,056	36,554,948
Total Current Liabilities	$ 118,030,676	$ 127,069,505
Deferred Credits		
Asset Retirement Obligation	$ 3,622,962	$ 3,471,933
Other Deferred Credits	2,708,941	3,132,618
Total Deferred Credits	$ 6,331,903	$ 6,604,551
TOTAL MEMBERS' EQUITY AND LIABILITIES	$ 1,135,584,856	$ 1,161,218,777

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2016	**2015**	**2014**
Operating Revenues			
Wholesale Power Sales	$ **397,814,973**	$ 363,568,558	$ 507,724,508
Other Operating Revenues	**10,597,776**	9,604,703	7,928,281
Total Operating Revenues	$ **408,412,749**	$ 373,173,261	$ 515,652,789
Operating Expenses			
Purchased Power	$ **139,876,082**	$ 138,472,498	$ 204,133,601
Fuel Expense	**52,676,262**	30,767,002	92,038,258
Transmission Expense	**57,218,781**	52,690,008	49,875,300
Other Power Supply Expense	**669,327**	546,162	458,319
Plant Operations and Management	**12,093,031**	9,761,403	9,111,248
Plant Maintenance and Maintenance Services	**10,603,077**	14,490,639	10,681,559
Other Operating Expense	**7,910,003**	9,523,315	8,847,267
Administrative and General	**30,645,139**	27,811,725	26,885,369
Depreciation and Amortization	**39,293,738**	33,668,395	38,088,748
Taxes Other than Income Taxes	**8,537,439**	7,008,031	5,663,526
Total Operating Expenses	$ **359,522,879**	$ 324,739,178	$ 445,783,195
Operating Margins – Before Fixed Charges	$ **48,889,870**	$ 48,434,083	$ 69,869,594
Fixed Charges			
Short-Term Interest	$ **679,890**	$ 317,555	$ 715,006
Interest on Long-Term Debt	**29,075,937**	28,714,370	26,096,033
Allowance for Borrowed Funds Used During Construction	**(2,863,785)**	(3,738,294)	(640,981)
Amortization of Debt Issuance Costs	**153,893**	161,150	161,150
Total Fixed Charges	$ **27,045,935**	$ 25,454,781	$ 26,331,208
Operating Margins – After Fixed Charges	$ **21,843,935**	$ 22,979,302	$ 43,538,386
Nonoperating Margins			
Interest and Capital Credit Income	$ **1,384,075**	$ 6,335,676	$ 771,282
Asset Impairment	**(12,309,775)**	-	(10,709,302)
Gain/(Loss) on Disposition of Property	**12,000**	(263,601)	(935,320)
Other Expense	**(880,802)**	(727,722)	(719,645)
Total Nonoperating Margins	$ **(11,794,502)**	$ 5,344,353	$ (11,592,985)
Net Margins	$ **10,049,433**	$ 28,323,655	$ 31,945,401

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 31, 2016, 2015 and 2014

	PATRONAGE CAPITAL	CONTRIBUTED CAPITAL	TOTAL
Balance December 31, 2013	$ 359,179,228	$ 12,289,240	$ 371,468,468
Net Margins - 2014	$ 31,945,401	$ -	$ 31,945,401
Patronage/Contributed Capital Retirement	(7,251,353)	(248,647)	(7,500,000)
Balance December 31, 2014	$ 383,873,276	$ 12,040,593	$ 395,913,869
Net Margins - 2015	$ 28,323,655	$ -	$ 28,323,655
Patronage/Contributed Capital Retirement	(7,756,703)	(243,297)	(8,000,000)
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	(8,064,756)	(235,244)	(8,300,000)
Balance December 31, 2016	$ 406,424,905	$ 11,562,052	$ 417,986,957

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
Cash Flows from Operating Activities			
Net Margins	$ 10,049,433	$ 28,323,655	$ 31,945,401
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities			
Depreciation and Amortization	40,064,561	33,829,545	38,249,898
(Gain)/Loss on Disposition of Property and Other Write-Offs	(12,000)	91,481	935,320
Asset Impairment	12,309,775	-	10,709,302
Capital Credits	(896,362)	(833,245)	(570,399)
Changes in Assets and Liabilities			
Deferred Charges	(14,338)	(205,281)	(13,615,789)
Other Assets	151,813	(5,644)	869,687
Deferred Credits	86,413	(732,730)	1,123,665
Deferred Income Tax	-	910,000	(910,000)
Accounts Receivable	(5,570,011)	5,879,622	1,912,031
Prepayments and Other Current Assets	2,198,678	(12,894,188)	(5,461,806)
Payables and Accrued Expenses	(17,319,765)	9,223,963	16,925,834
Net Cash Provided by Operating Activities	$ 41,048,197	$ 63,587,178	$ 82,113,144
Cash Flows from Investing Activities			
Additions to Utility Plant	$ (65,909,697)	$ (114,973,604)	$ (55,211,432)
Proceeds from Sale of Assets	19,000	197,500	190,000
Additions to Other Property and Plant Held for Future Use	(629,997)	(3,189,587)	(51,480,642)
Investments in Other and Short-Term Investment Securities	(25,300,000)	(49,986,500)	-
Maturity of Other and Short-Term Investment Securities	27,193,415	25,293,085	53,810,000
Investments in Associated Organizations	691,852	508,806	379,313
Net Cash Used in Investing Activities	$ (63,935,427)	$ (142,150,300)	$ (52,312,761)
Cash Flows from Financing Activities			
Retirement of Patronage and Contributed Capital	$ (8,300,000)	$ (8,000,000)	$ (7,500,000)
Advances on Long-Term Debt	-	100,000,000	-
Payments on Long-Term Debt	(50,562,250)	(18,649,068)	(16,823,707)
Advance on Long-Term Debt - Special Facilities	3,220,363	22,779,160	45,256
Borrowings - Notes Payable	346,769,664	244,523,066	184,208,059
Repayments -Notes Payable	(308,935,555)	(291,065,956)	(167,451,433)
Net Cash (Used in) Provided by Financing Activities	$ (17,807,778)	$ 49,587,202	$ (7,521,825)
(Decrease) Increase in Cash and Cash Equivalents	$ (40,695,008)	$ (28,975,920)	$ 22,278,558
Cash and Cash Equivalents – Beginning of Year	106,603,565	135,579,485	113,300,927
Cash and Cash Equivalents – End of Year	$ 65,908,557	$ 106,603,565	$ 135,579,485
Supplemental Disclosures			
Interest Paid During the Year	$ 28,667,936	$ 28,335,122	$ 26,595,718

Noncash Investing and Financing Transactions:

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.

In 2015, Golden Spread had three significant noncash transactions: transfer of equipment from plant held for future use to construction work in progress of $77,504,550; transfer of equipment from preliminary survey and investigation to construction work in progress of $1,338,374 and transfer of prepaid capital maintenance to capital maintenance in the amount of $623,570 to account for 2015 maintenance activities.

In 2015, notes payable in the amount of $21,423,313 were refinanced to long-term debt.

In 2014, Golden Spread had four significant noncash transactions: transfer of equipment from other property assets to construction work in progress of $36,650,786; transfer of other property assets from preliminary survey and investigation to construction work in progress of $17,229,496; transfer of equipment from other property assets to plant held for future use of $115,245,886 and transfer of prepaid capital maintenance to capital maintenance in the amount of $718,884 to account for 2014 maintenance activities.

In 2014, notes payable in the amount of $2,262,814 were refinanced to long-term debt.

See accompanying notes to consolidated financial statements.

1. Organization and Operations

The consolidated balance sheet includes 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) (note 3), at December 31, 2016. On September 30, 2015, Golden Spread closed on the sale of its 100% ownership interest in Fort Concho Gas Storage, Inc. (FCGS) to an unaffiliated third party. The consolidated statements of income, statement of changes in Members' equity and cash flows for 2016, 2015 and 2014 include the accounts of Golden Spread and its wholly owned operating subsidiaries, FCGS, 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, in Southwest Kansas and in a small portion 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. FCGS was subject to the rules and regulations of the Texas Railroad Commission. GSPWR is subject to FERC jurisdiction.

Golden Spread is tax-exempt under Internal Revenue Code Section 501(c)(12) as long as 85% of its gross receipts (as defined under the Internal Revenue Code) are derived from sales to Members. For each of the three years ended December 31, 2016, 2015 and 2014, the 85% test was met. Any revenues earned in excess of costs incurred are allocated to Members of Golden Spread and are reflected as patronage capital equity in the accompanying consolidated balance sheets. FCGS and GSPWR are taxable corporations (note 14). GSEC Properties is a single-member LLC and is a disregarded entity for income tax purposes.

2. Summary of Significant Accounting Policies

The accounting records of Golden Spread are maintained in accordance with 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. In 2015, operating revenues include a regulatory refund (note 17). The tariff provides that there will be a reconciliation of actual costs incurred to the amounts billed. Any over or under recovery of costs is refunded or surcharged in the subsequent year. Unbilled revenues are accrued for amounts that are recoverable under rate tariffs but not yet 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, 2016, $2.8 million was over collected from Members and at December 31, 2015, $14.2 million was over collected from Members.

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

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 – 5 years

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

AFUDC represents the cost of interest capitalized during the construction period. In 2016, 2015 and 2014, interest of $2.9 million, $3.7 million and $0.6 million, respectively, was capitalized as part of the costs of Elk Station Units 2 and 3 and the Grid Switching Project in 2016, Elk Station Units 1, 2 and 3 in 2015 and Elk Station Unit 1 in 2014, which represented an average interest rate of 3.96%, 3.80% and 1.98%, respectively.

(e) Debt Issuance Costs

Debt issuance costs are amortized using the effective-interest method over the life of the underlying debt. In April 2015, the FASB issued *Simplifying the Presentation of Debt Issuance Costs, Subtopic 835-30* (ASU 2015-03), which requires the presentation of debt issuance costs on the balance sheet as a deduction from the carrying amount of the related debt, instead of presentation as an asset. ASU 2015-03 was issued to simplify the presentation of debt issuance costs. The 2016 effect of this change is a reduction of the debt liability by $2.1 million, which is equal to the deferred debt issuance costs at December 31, 2016. Golden Spread has applied retrospective application of this change, which resulted in a reduction of the 2015 debt liability by $2.3 million, which is equal to the deferred debt issuance costs at December 31, 2015. This new guidance was implemented on January 1, 2016, and the balance sheets at December 31, 2016 and 2015 reflect this new requirement (note 11).

(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) Investment Securities

Investment securities consist of corporate debt securities. Golden Spread classifies all of its debt securities as held-to-maturity (HTM). HTM debt securities are those debt securities in which Golden Spread has the ability and intent to hold the security until maturity. HTM debt securities are recorded at cost, as there are no associated premiums and discounts to amortize. Short-term investment securities consist of corporate debt securities with a maturity date of greater than 90 days and less than one year. A decline in the market value of any HTM security below cost that is deemed to be other than temporary, results in an impairment to reduce the carrying amount to fair value. To determine whether impairment is other than temporary, Golden Spread considers all available information relevant to the collectibility of the security, including past events, current conditions and reasonable and supportable forecasts when developing estimates of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performances of the investee and the general market condition in the geographic area or industry the investee operates. Golden Spread's HTM investments are invested at National Rural Utilities Cooperative Finance Corporation (CFC) and a local bank.

(h) Inventory

Inventories are stated at cost. Supervisory Control and Data Acquisition (SCADA) inventory are stated using the first-in, first-out method. Additionally in 2016, plant spare parts inventories are stated using the weighted average cost method. This represents a change from the first-in, first-out method that was used in 2015. The impact of this change was not material.

Golden Spread sold FCGS effective September 30, 2015 (note 1). Prior to the sale date, the gas inventory was stated at lower of cost or market with cost determined using the weighted average cost basis.

(i) Other Property

At December 31, 2016, other property includes land, water rights, equipment and a seven-story office building in which Golden Spread's headquarters are located (note 3). At December 31, 2015, other property included the items listed above with the exception of the equipment previously classified as plant held for future use.

(j) 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. Golden Spread also defers unearned revenue until future periods for ratemaking purposes.

(k) 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.

(l) Reclassifications

Certain reclassifications have been made to the 2015 and 2014 financial statement balances to conform to the 2016 presentation.

(m) 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.

(n) 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, 2016, 2015 and 2014, 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 (note 14). 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, 2016 and 2015, Golden Spread paid no income taxes. For the year ended December 31, 2014, Golden Spread paid estimated income tax of $0.91 million related to FCGS, and recorded a deferred tax asset, net of valuation allowance of $0.91 million related to the temporary difference from the impairment of the gas storage facility. Golden Spread received payment of the $0.91 million related to FCGS by the end of 2016.

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 2013.

(o) 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. Acquisition

On March 20, 2014, GSEC Properties, LLC, a wholly owned subsidiary of Golden Spread, purchased an office building at 905 S. Fillmore Street in Amarillo, Texas. This office building is where Golden Spread's headquarters are located.

4. 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. Golden Spread determined the fair value of the turbine based on historical sales data for similar assets. Consequently, Golden Spread recorded a pretax impairment loss of $12.3 million on the statement of income in 2016.

In October 2008, Golden Spread, through its wholly owned subsidiary FCGS, purchased a 2 Bcf natural gas storage facility for future use as a potential generation site. In 2013, a decision was made to suspend development at this site. In 2014, a decision was made to shut down the facility. The plan in 2014 involved continuing to operate through the early part of 2015 and shutting down the facility before the end of 2015. Consequently, in 2014, Golden Spread recorded a pretax impairment loss of $10.7 million on the statement of income, which included $10.4 million reduction of other property and $0.3 million loss in charges for other shutdown costs. In 2015, an opportunity for sale of the facility developed, and Golden Spread sold its 100% ownership interest in FCGS to an unaffiliated third party, effective September 30, 2015, in lieu of shutting down the facility.

5. Utility Plant

The components of utility plant are summarized as follows:

	December 31	
	2016	2015
Plant in Service:		
Land	$ 2,826,034	$ 2,826,034
Production Plant	966,630,589	768,653,713
Transmission and Distribution Plant	131,405,783	106,487,703
General Plant	19,082,504	11,538,657
Total Electric Plant in Service	$ 1,119,944,910	$ 889,506,107
Capital Maintenance	30,808,195	31,274,700
Construction Work in Progress	11,083,962	174,251,610
Total Electric Plant	$ 1,161,837,067	$ 1,095,032,417

At December 31, 2016, construction work in progress (CWIP) consisted primarily of construction expenditures related to production, transmission and distribution plant. At December 31, 2015, CWIP consisted primarily of a new generation project (Elk Station Units 2 and 3 located near Abernathy, Texas), which commenced commercial operation in June 2016 and construction expenditures related to production, transmission and distribution plant.

Transmission and distribution plant consists 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 CFC on the transmission and distribution plant.

Transmission and distribution plant is excluded from the Trust Indenture (note 11) 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.

6. Cash and Cash Equivalents

Cash and cash equivalents are summarized as follows:

	December 31	
	2016	2015
Cash	$ 11,532,952	$ 17,144,017
Commercial Paper and Certificate of Deposit	13,405,737	11,943,444
CFC Select Notes	40,877,641	77,317,243
CFC Daily Fund Investment	92,227	198,861
Total Cash and Cash Equivalents	$ 65,908,557	$ 106,603,565

Cash and cash equivalents are recorded at cost, which approximates fair value. The commercial paper and certificate of deposit matured by March 30, 2017, and had interest rates ranging from 0.71% to 1.00%. The CFC Select Notes matured by March 30, 2017, and had interest rates ranging from 0.87% to 1.02%. The CFC daily fund investments earn interest at a variable interest rate (0.53% at December 31, 2016).

7. Short-Term Investment Securities

The short-term investment securities at December 31, 2016 and 2015, are:

	December 31	
	2016	2015
Short-Term Investment Securities:		
CFC Select Notes	$ 22,800,000	$ 24,693,415

The CFC Select Notes had maturity dates from January 30 to February 27, 2017, with interest rates ranging from 0.79% to 0.89% at December 31, 2016. The carrying value of the short-term investment securities approximated fair value.

8. 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 $4.7 million, $5.4 million and $6.0 million in 2016, 2015 and 2014, 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 ($17.7 million and $15.5 million at December 31, 2016 and 2015, 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 June 14, 2022, or the completion of the third major inspection (expected to take place during 2020 or 2021) 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 June 14, 2022.

9. Deferred and Other Charges

Golden Spread is subject to the provisions of Financial Accounting Standards Board (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 charges consist of the following:

	December 31	
	2016	2015
Regulatory Assets	$ 1,671,787	$ 2,630,363
Generation Projects - Preliminary		
Survey and Investigation	1,584,531	1,931,056
Other Deferred Charges	160,786	60,931
Total Deferred Charges	$ 3,417,104	$ 4,622,350

Other charges at December 31, 2016, include prepaid pension of $2.2 million (note 15) and supplemental pension of $1.5 million (note 15). Other charges at December 31, 2015, include prepaid pension of $2.5 million (note 15) and supplemental pension of $1.3 million (note 15).

10. Derivative Instruments and Hedging

Golden Spread routinely enters into physical commodity contracts for purchases of natural gas and has capacity sales contracts with its Members. Both types of these contracts qualify for the normal purchase and sales exception under GAAP.

There were no derivative instruments held at December 31, 2016 or 2015.

11. Long-Term Debt

Long-term debt is summarized as follows:

	December 31	
	2016	2015
5.75% Senior Secured Notes, due through 2025	$ 31,009,500	$ 33,770,000
5.00% Senior Secured Note, due through 2043	71,117,205	72,379,357
4.95% Senior Secured Notes, due through 2041	137,566,166	140,291,399
4.35% Senior Secured Notes, due through 2031	206,052,367	215,600,622
3.93% Senior Secured Note, due through 2045	19,406,390	19,775,104
3.82% Senior Secured Notes, due through 2045	38,893,795	39,638,219
3.75% Senior Secured Note, due through 2045	38,884,075	39,634,945
2.74% Senior Secured Notes, due in 2016	--	30,000,000
2.75% – 8.10% Fixed Rate Mortgage Notes, due through 2050	72,798,663	72,279,062
Variable Rate Mortgage Notes, due through 2041	930,372	631,712
Debt Issuance Costs	(2,141,637)	(2,295,530)
	$ 614,516,896	$ 661,704,890
Less Current Maturities	21,281,576	50,397,693
	$ 593,235,320	$ 611,307,197

Golden Spread and Prudential Investment Management, Inc. (Prudential) executed a two-year shelf financing arrangement on January 9, 2015. Golden Spread and CFC executed a similar two-year shelf financing arrangement on January 23, 2015. This financing arrangement with CFC has been extended one year. Golden Spread and CoBank executed a similar two-year shelf financing agreement on May 7, 2015. These shelf financing arrangements facilitate 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 has any obligation to borrow or loan funds pursuant to this agreement. These financing arrangements established terms and conditions, maximum financing capacity and a process by which Golden Spread can request rate quotes and Prudential, CFC and/or CoBank, respectively, can provide rate quotes, if Prudential, CFC and/or CoBank choose to do so. This process related to rate quotes allows 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 of the senior secured notes are fully amortizing over the term of the loans except the $30.0 million 2.74% note, which was a five-year balloon note due in August 2016. This balloon note was paid off early in May 2016.

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 (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 subsidiaries issue 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, 2016, Designated Qualifying Securities of $65.9 million related to GSPWR remained under the Trust Indenture.

Assets held under the Trust Indenture totaled $943.2 million at December 31, 2016, and includes all land, production plant, general plant, plant held for future use and Designated Qualifying Securities of GSPWR, all 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 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, 2016 and 2015, Golden Spread had met all requirements of the indenture.

At December 31, 2016, Golden Spread had sufficient assets, including Qualifying Securities under the indenture to issue more than $254.6 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 $76.9 million and $71.8 million at December 31, 2016 and 2015, 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, LLC assets are also excluded from the Trust Indenture.

As of December 31, 2016, annual maturities of long-term debt for the next five years are as follows:

2017	$ 21,281,576
2018	22,167,107
2019	23,130,331
2020	24,126,430
2021	25,309,670

12. Short-Term Credit Facilities

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

	December 31	
	2016	2015
Borrowings under Lines of Credit at Weighted Average Rates of 1.58% and 1.64%, respectively	$ 42,353,828	$ 4,519,719

In August 2012, Golden Spread obtained $125.0 million unsecured committed line of credit for short-term financing with CFC at a floating rate of interest. The line of credit has a five-year term. This line of credit is also available to provide letters of credit. In April 2016, a $10.0 million letter of credit was issued under this arrangement. There were no issued letters of credit at December 31, 2015.

In December 2015, Golden Spread renewed its $85.0 million, unsecured committed line of credit from Bank of America that bears interest at LIBOR plus a credit spread for a two-year term. Borrowings under this line of credit at December 31, 2016 and 2015, were $31.7 million and $0 million, respectively.

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 expires June 2018. Borrowings under this line of credit at December 31, 2016 and 2015, were $10.7 million and $4.5 million, respectively.

13. 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, and in 2014, FCGS was able to determine a value related to its asset retirement obligation. GSPWR's and FCGS's asset retirement obligation is associated with the obligation to restore the land leased sites to a "green field" condition, as stated in their respective lease agreements. Golden Spread sold FCGS effective September 30, 2015, thus relieving Golden Spread of the asset retirement obligation related to FCGS (note 1). The net asset retirement obligation, which is reported in deferred credits in the accompanying 2016 and 2015 consolidated balance sheets, and the changes in the net liability for the years ended December 31, 2016 and 2015, are as follows:

	December 31	
	2016	2015
Beginning Balance	$ 3,471,933	$ 3,954,200
Liability Settled During the Year	–	–
FCGS	–	(627,000)
Accretion Expense	151,029	144,733
Ending Balance	$ 3,622,962	$ 3,471,933

14. Income Taxes

At December 31, 2016 and 2015, GSPWR had a cumulative financial income of $1.1 million and $1.0 million, respectively, and a cumulative federal tax loss carryforward of $33.8 million and $27.8 million, respectively (due partially to a permanent difference related to Treasury Section 1603 50% basis increase, but also to temporary differences due to tax depreciation). These tax loss carryforwards expire between 2031 and 2036. The current year tax expense for 2016 and 2015 was zero. The deferred income tax expense for 2016 and 2015 was $2.1 million for each year. The related deferred tax assets of $11.5 million and $9.4 million, computed using the corporate statutory rate of 34.0%, have been fully reduced by a valuation allowance for the amount net of other deferred tax liabilities related to depreciation of $3.8 million and $1.7 million, respectively, based on expected net realizable value. Therefore, no deferred tax asset or liability has been recognized.

As of December 31, 2015, FCGS is no longer a Golden Spread subsidiary. Golden Spread sold its 100% ownership interest in FCGS to an unaffiliated third party, effective September 30, 2015.

15. Pension Benefits

Golden Spread provides pension benefits for substantially all of its employees through the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program (RS Plan) and Savings 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 2016 and in 2015 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 in 2016, 2015 and 2014 were $2.5 million, $2.2 million and $2.0 million, respectively. A significant factor that affected the comparability of total employer contributions was the increase in the number of employees covered by the plan from 2013 through 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, 2016 and 2015, 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 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.

The Savings Plan has been established under Code Section 401(k) of the Internal Revenue Code, as a defined-contribution plan. 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, 2016, 2015 and 2014 were $0.4 million, $0.4 million and $0.3 million, respectively.

Golden Spread has a deferred compensation plan to provide supplemental retirement benefits for certain highly compensated employees. At December 31, 2016 and 2015, the liability associated with the deferred compensation plan was $1.5 million and $1.3 million, respectively. Such amounts are included in deferred credits in the accompanying 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 $1.5 million and $1.3 million are included in other charges in the accompanying consolidated financial statements at December 31, 2016 and 2015, respectively. Upon the retirement 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.

16. 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, 2016, 2015 and 2014, sales to South Plains Electric Cooperative, Inc. represented 14% to 15% of sales to Members (12% to 14% of total sales) and sales to Deaf Smith Electric Cooperative, Inc.

represented 10% to 11% of sales to Members (9% to 10% of total sales). In the same periods, sales to Lyntegar Electric Cooperative, Inc. represented 10% to 11% of sales to Members (9% to 10% of total sales) and sales to Tri-County Electric Cooperative, Inc. represented 9% to 10% of sales to Members (8% to 10% of total sales).

17. Commitments and Contingencies

Golden Spread is a party to a Replacement Power Sales Agreement (RPSA) with Southwestern Public Service Company (SPS), a wholly owned subsidiary of Xcel Energy. The RPSA has a seven-year term, with Golden Spread purchasing 500 MW from April 20, 2012 to May 31, 2015, 300 MW from June 1, 2015 to May 31, 2017, and 200 MW from June 1, 2017 to April 30, 2019, at which time the agreement terminates. Under the RPSA, each party has certain rights to reduce the fixed contract capacity and associated energy entitlements. In 2015, Golden Spread provided notice to SPS that it would reduce its capacity entitlement as of June 1, 2017, to 0 MW for the remainder of the RPSA term.

Golden Spread serves 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 expired on May 31, 2016. Golden Spread also executed a one-year contract with AEPEP in June 2013 for the contract term from June 1, 2016 through May 31, 2017. This contract contains similar terms and conditions as the prior agreements but also consolidated the two agreements into one contract.

Golden Spread is obligated under a 20-year power purchase agreement to purchase all the energy produced by a 100.8 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.

In August 2015, Golden Spread settled multiple regulatory disputes associated with Golden Spread's wholesale purchased power and transmission rates charged by SPS. This global settlement resolved nine pending cases before FERC, some originating as early as 2004, including disputes over the peak demand method of allocating production and transmission costs, Golden Spread complaints to lower SPS's authorized return on equity and other rate issues. The global settlement also resolved one pending court of appeals case and numerous rate disputes that would otherwise have been raised to FERC in formal proceedings. Overall, the settlement provided a direct refund to Golden Spread for the benefit of its Members of $44.86 million, including interest. This refund was paid by SPS in December 2015. Other benefits of the settlement will manifest themselves in the form of certain prospective rate treatments.

In March 2015, a Mustang Station unit suffered a failure due to a loss of lubricating oil to the generator. This event impaired both the generator and the medium pressure turbine rotor journals, which placed the unit out of service for the remainder of 2015. The unit was repaired and back on-line for commercial operation on January 22, 2016. During 2016, Golden Spread worked with the insurance providers to settle the insurance claim related to this event.

In September 2016, the steam turbine generator at Mustang Station tripped on high vibration on the medium pressure turbine. This event impaired both the generator and the medium pressure turbine, which placed the unit out of service for the remainder of 2016. The steam turbine generator returned to service on February 15, 2017. For the year ended December 31, 2016, Golden Spread incurred repair costs to date of $1.5 million and expects to incur additional costs in 2017 of approximately $0.5 million to $1.0 million. Golden Spread has a comprehensive insurance policy and is in the process of filing an insurance claim to recover the costs incurred.

18. Disclosures about Fair Value of Financial Instruments

The carrying value for cash and cash equivalents, short-term investment securities, accounts receivable, notes payable and accounts payable approximates fair value given the short period to maturity of these instruments. Long-term variable interest notes reprice frequently at market rates; therefore, the carrying amounts approximate fair value.

Many of Golden Spread's long-term fixed rate obligations included in the accompanying consolidated financial statements are obligations that lack an available market with similar terms, conditions and maturities. Therefore, Golden Spread used Level 2 inputs in determining the fair value of its long-term debt.

The fair value of Golden Spread's CFC fixed rate long-term debt is calculated by computing the net present value of the individual notes using the current CFC market rate and other inputs to assist in determining a discount rate to be used in determining the fair value of the CFC fixed rate long-term debt.

The fair value of the senior secured notes is estimated by computing the net present value for each note, using current market interest rates and credit spreads for debt with similar attributes to assist in determining a market rate to be used in determining the fair value of the senior secured notes.

The following table presents the carrying amounts and estimated fair value of Golden Spread's financial instruments at December 31, 2016 and 2015. The carrying amounts shown in the table are included in the consolidated balance sheets.

	December 31			
	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and Cash Equivalents	$ 65,908,557	$ 65,908,557	$106,603,565	$106,603,565
Short-Term Investment Securities	22,800,000	22,800,000	24,693,415	24,693,415
Accounts Receivable	32,995,178	32,995,178	26,974,666	26,974,666
Financial Liabilities:				
Mortgage Notes Including Current Maturities of Long-Term Debt:				
CFC Long-Term Debt	$ 73,729,035	$ 70,347,542	$ 72,910,774	$ 69,506,278
5.75% Senior Secured Notes	31,009,500	34,431,482	33,770,000	38,038,761
5.00% Senior Secured Note	71,117,205	79,073,918	72,379,357	81,776,736
4.95% Senior Secured Notes	137,566,166	152,101,043	140,291,399	157,658,803
4.35% Senior Secured Notes	206,052,367	216,647,484	215,600,622	229,240,051
3.93% Senior Secured Note	19,406,390	19,180,218	19,775,104	19,799,606
3.82% Senior Secured Notes	38,893,795	37,955,376	39,638,219	39,180,577
3.75% Senior Secured Note	38,884,075	38,321,913	39,634,945	38,839,601
2.74% Senior Secured Notes	–	–	30,000,000	30,359,409
Debt Issuance Costs	(2,141,637)	–	(2,295,530)	–
Total Mortgage Notes	$ 614,516,896	$ 648,058,976	$ 661,704,890	$704,399,822
Notes Payable	$ 42,353,828	$42,353,828	$ 4,519,719	$ 4,519,719
Accounts Payable	27,916,216	27,916,216	35,597,145	35,597,145

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions.

The fair value of Golden Spread's CFC fixed rate long-term debt is calculated by computing the present value of the individual notes to the next repricing date using a discount rate that is the current CFC fixed interest rate available for long-term debt. The fair value of the senior secured notes is calculated using the discount rate that represents the estimated rate at which Golden Spread could borrow those funds at December 31, 2016.

The financial debt liabilities in the table above are considered Level 2 due to the availability of observable inputs for the asset or liability, either directly or indirectly, for substantially the full term of the liability. All other financial instruments are considered Level 1.

19. Leases

Golden Spread has several operating leases as outlined in the table below. The lease for the headquarter office space in Amarillo, Texas, is included through March 20, 2014, when Golden Spread purchased the building through its newly organized wholly owned subsidiary, GSEC Properties, LLC (note 3).

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

The lease amounts for 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Warehouse Lease	$ –	$ 157,860	$ 203,151
Headquarter Office Space	–	–	139,615
Lubbock Office Space	118,500	118,500	118,500
Wind Ranch Land Lease – Minimum Rent	712,498	712,498	712,498
Wind Ranch – Production			
Royalty Payments	197,147	173,496	202,570
Data Centers	14,596	–	–
Total	$ 1,042,741	$ 1,162,354	$1,376,334

In 2007, Golden Spread entered into a warehouse lease with an initial term of one year with nine one-year extensions available. This lease was terminated in October 2015. 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
2017	$ 221,760	$ 118,500	$ 712,498
2018	228,413	118,500	740,874
2019	219,781	118,500	740,874
2020	--	118,500	740,874
2021	--	118,500	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 6.0% of production that exceed the minimum rent payments.

20. Other Accrued Expenses

Other accrued expenses at December 31, 2016, include accrued taxes of $7.7 million, accrued interest of $7.6 million, Member refunds of $2.6 million, accrued plant operations expenses of $5.6 million and other accrued expenses of $2.9 million. Other accrued expenses at December 31, 2015, include accrued taxes of $6.0 million, accrued interest of $8.1 million, Member refunds of $19.5 million, accrued plant operations expenses of $1.2 million and other accrued expenses of $1.8 million.

21. Subsequent Events

Golden Spread's management has evaluated subsequent events through April 17, 2017, 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

CONDENSED CONSOLIDATED INCOME STATEMENT DATA (000)	2016	2015	2014	2013	2012
Operating Revenues	**$ 408,413**	$ 373,173	$ 515,653	$ 459,448	$ 383,348
Operating Expenses					
Fuel, Purchased Power and Transmission	**$ 249,771**	$ 221,929	$ 346,047	$ 303,600	$ 248,416
Plant Operations and Maintenance	**22,696**	24,252	19,793	24,547	15,005
Administrative and General	**30,645**	27,812	26,885	22,354	19,046
Depreciation and Amortization	**39,294**	33,668	38,089	35,616	26,176
Taxes Other Than Income Taxes	**8,537**	7,008	5,663	5,358	5,448
Other Operating Expenses	**8,580**	10,070	9,306	7,380	6,252
Total Operating Expenses	**$ 359,523**	$ 324,739	$ 445,783	$ 398,855	$ 320,343
Operating Margins - before Fixed Charges	**$ 48,890**	$ 48,434	$ 69,870	$ 60,593	$ 63,005
Fixed Charges	**27,046**	25,455	26,331	24,446	23,016
Operating Margins - after Fixed Charges	**$ 21,844**	$ 22,979	$ 43,539	$ 36,147	$ 39,989
Nonoperating Margins	**(11,795)**	5,345	(11,594)	138	711
Net Margins	**$ 10,049**	$ 28,324	$ 31,945	$ 36,285	$ 40,700
CONDENSED CONSOLIDATED BALANCE SHEET DATA (000)					
Utility Plant, net	**$ 922,391**	$ 892,070	$ 730,157	$ 652,145	$ 633,977
Other Property and Investments	**48,370**	60,462	135,027	137,914	42,565
Cash, Cash Equivalents and Short-Term Investment Securities	**88,709**	131,297	135,579	167,111	197,320
Other Current Assets	**69,005**	68,923	61,957	59,126	58,629
Other Assets	**7,110**	8,467	11,511	15,270	4,139
Total Assets	**$ 1,135,585**	$ 1,161,219	$ 1,074,231	$ 1,031,566	$ 936,630
Total Members' Equity	**$ 417,987**	$ 416,238	$ 395,914	$ 371,468	$ 342,184
Long-Term Debt, excluding current maturities	**$ 593,235**	$ 611,307	$ 540,071	$ 555,128	$ 481,985
Current Liabilities	**118,031**	127,070	131,218	99,065	107,555
Deferred Credits	**6,332**	6,604	7,028	5,905	4,906
Total Liabilities	**$ 717,598**	$ 744,981	$ 678,317	$ 660,098	$ 594,446
Total Members' Equity and Liabilities	**$ 1,135,585**	$ 1,161,219	$ 1,074,231	$ 1,031,566	$ 936,630
OTHER FINANCIAL AND STATISTICAL DATA					
Energy Sales					
Energy Sales to Members (MWh)	**6,490,018**	6,291,738	6,928,717	7,024,404	6,782,400
Energy Sales to Nonmembers (MWh)	**1,418,165**	554,860	877,076	396,538	263,448
Total Energy Sales (MWh)	**7,908,183**	6,846,598	7,805,793	7,420,942	7,045,848
Member Peak Demand (MW)	**1,550**	1,472	1,538	1,501	1,541
Member System Load Factor (%)	**47.68**	48.47	51.43	53.42	50.11
Energy Generated (MWh) (1)	**3,862,033**	1,412,824	3,008,848	2,460,478	3,239,621
Energy Purchased (MWh) (1)	**4,410,519**	5,575,815	4,981,174	5,113,921	3,991,904
Average Rate to Members ($/MWh)	**$ 57.62**	$ 61.94	$ 66.98	$ 61.77	$ 54.70
Average Natural Gas Price ($/MMBtu)	**$ 2.30**	$ 2.76	$ 4.50	$ 3.80	$ 2.76
Financial Ratios					
Equity/Capitalization (%)	**39**	38	39	38	39
Debt Service Coverage (DSC) Ratio	**1.82**	1.91	2.46	2.41	2.46
Debt/Funds Available for Debt Service	**8.29**	7.29	5.60	6.25	5.96
Days Cash on Hand	**93**	150	114	157	184

(1) Includes ancillary services for Member load

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

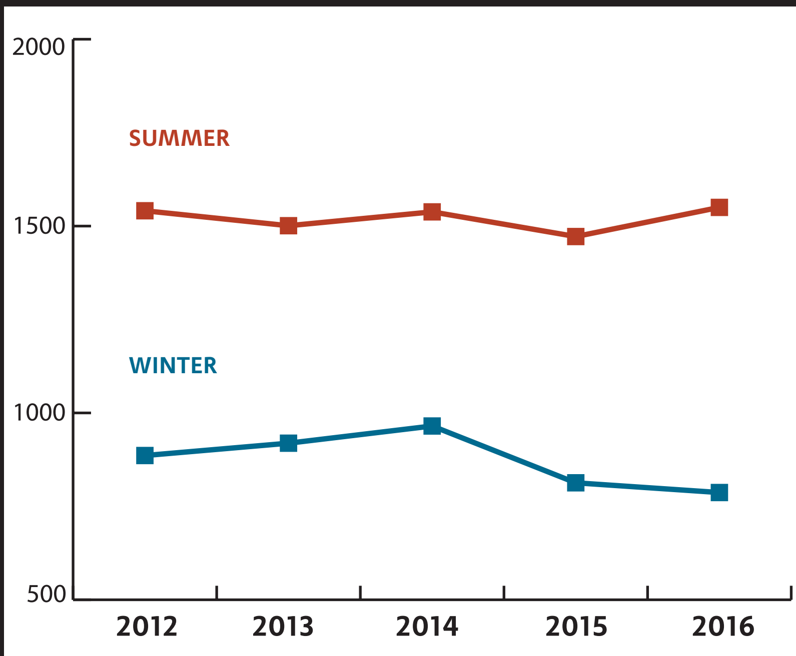
RESPECT: The Golden Rule

MEMBER FOCUS

ENERGY AND FINANCIAL CHARTS

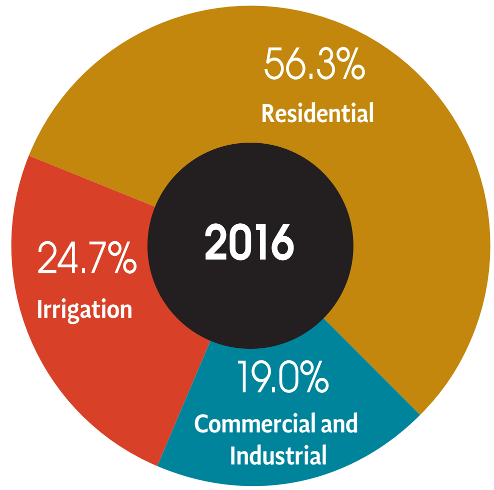
COINCIDENT DEMAND
(Megawatts)

Peak loads are affected by weather conditions and general load growth in the Members' service territories. Peak loads increased from 2011 to 2014 due to load growth and drought conditions. In 2015 and 2016, Members experienced an increase in rainfall, reducing the irrigation load.



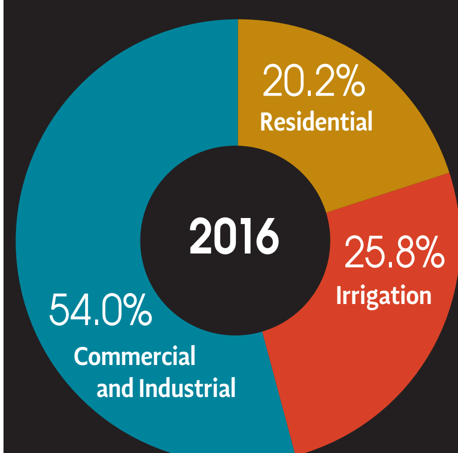
RATE CLASSIFICATION

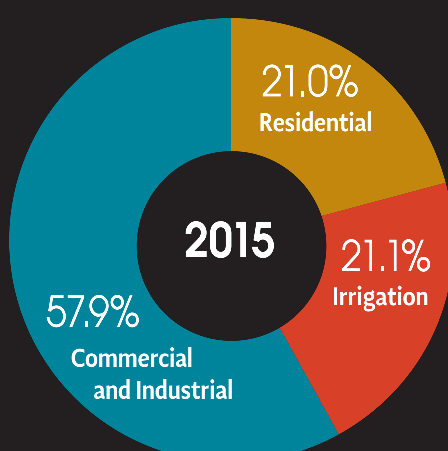
The composition of Member-Consumers by rate classification remains stable from year to year.

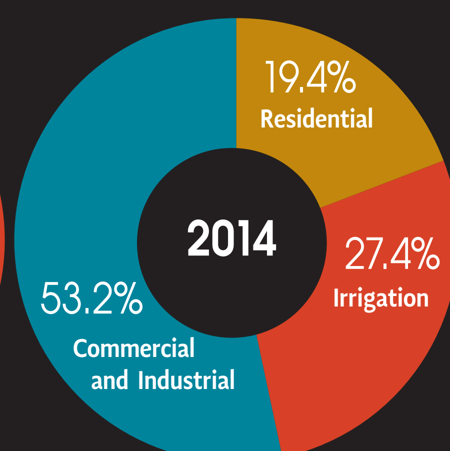


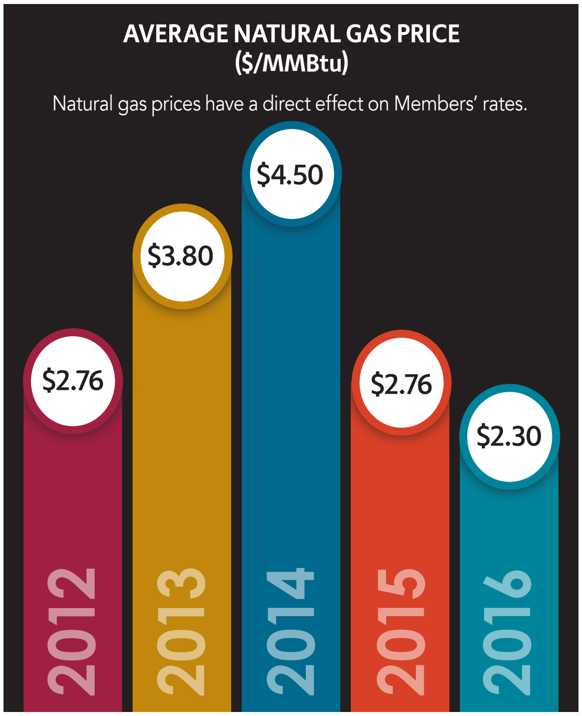
USAGE BY RATE CLASSIFICATION

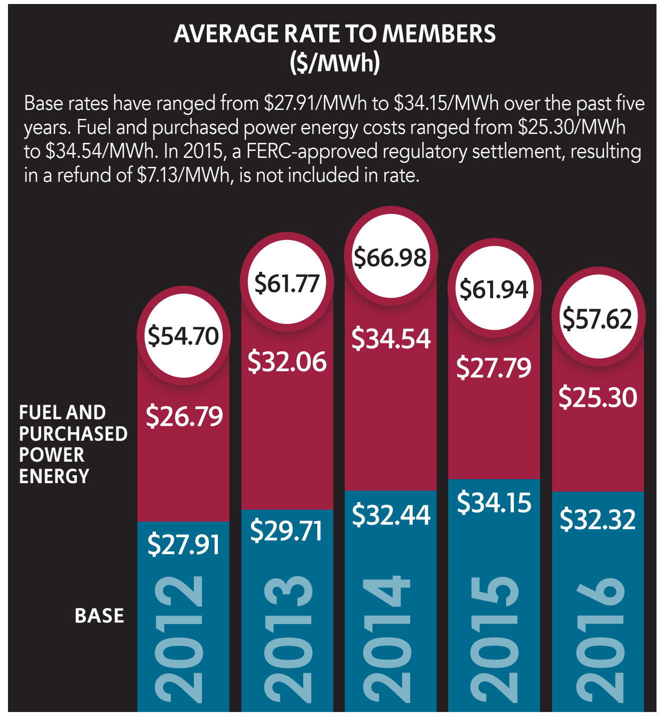
Weather conditions affect the mix of energy sales by classification – particularly the level of irrigation sales, which generally range from 20% to 30% of total sales. Our territory was coming out of a drought period in 2014, so irrigation sales were slightly above average. Then in 2015, above normal rainfall resulted in lower irrigation sales; 2016 brought near normal rainfall, resulting in near normal irrigation sales.

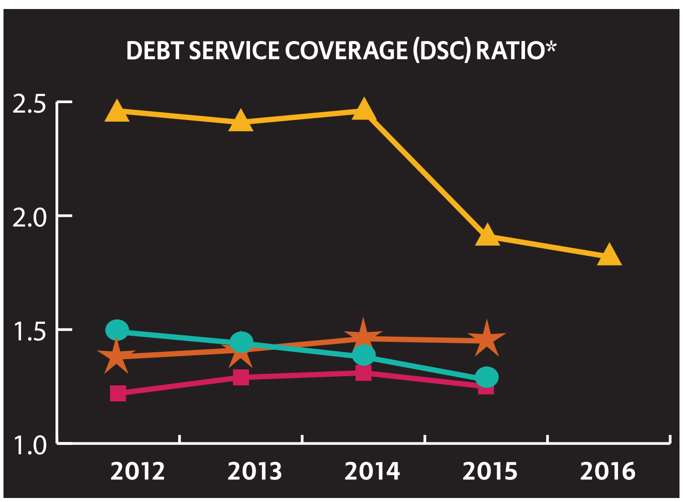


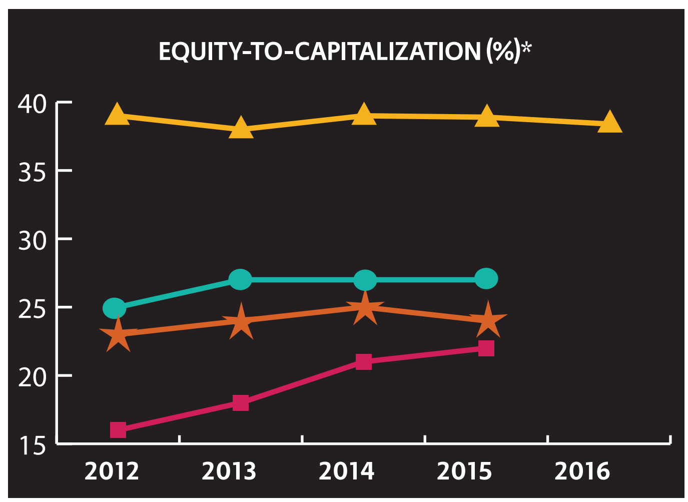


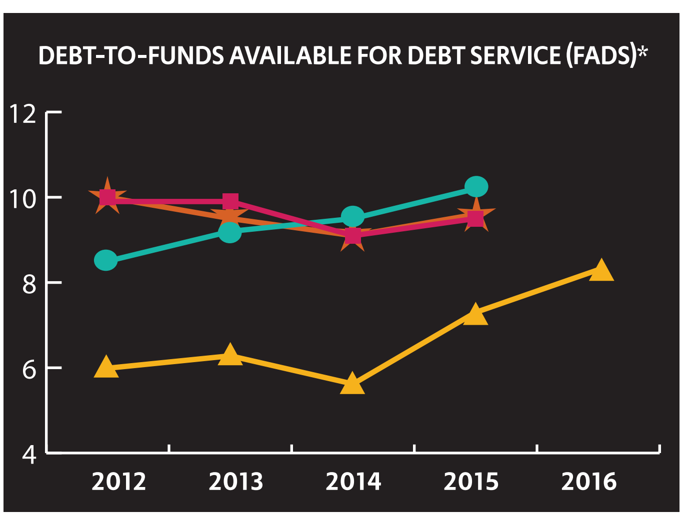












G&Ts rated A+ and above*

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 June 2015, 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 2016 were not available at time of printing.

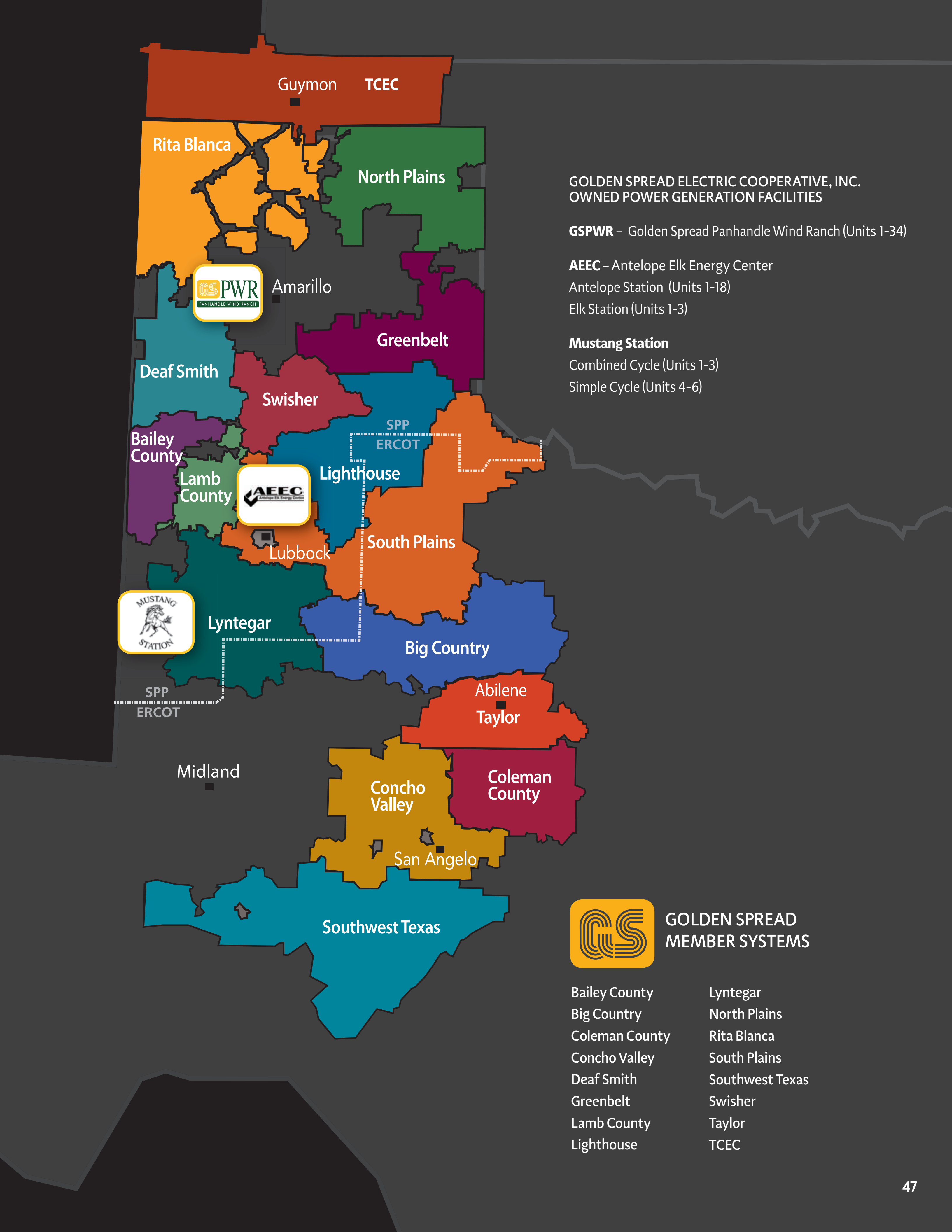
MEMBER COOPERATIVES' INFORMATION

(dollars in thousands)

2016 SUMMARY	BAILEY COUNTY	BIG COUNTRY	COLEMAN COUNTY	CONCHO VALLEY	DEAF SMITH	GREENBELT
Number of Employees	46	64	34	59	52	37
Total Services in Place	9,705	18,525	12,664	18,023	16,494	6,974
Miles of Line	2,889	5,303	3,771	4,337	4,930	2,565
Peak Demand	98,069	54,093	31,949	69,663	193,640	48,315
Sales (MWh)	280,493	234,291	105,796	294,312	663,848	264,173
Net Utility Plant	$ 54,081	$ 60,403	$ 16,535	$ 72,302	$ 40,198	$ 33,563
Assets	$ 91,178	$ 87,776	$ 29,256	$ 97,768	$ 110,808	$ 48,719
Margins Plus Equities	$ 40,736	$ 43,210	$ 17,897	$ 42,637	$ 91,876	$ 20,100
Revenues	$ 28,105	$ 25,037	$ 10,813	$ 31,821	$ 57,447	$ 22,892
Cost of Purchased Power	$ 19,312	$ 12,702	$ 6,116	$ 17,833	$ 41,747	$ 15,548
Interest on Long-Term Debt	$ 1,566	$ 1,505	$ 374	$ 1,704	$ 204	$ 953
Net Margins	$ 69	$ 516	$ 466	$ 3,284	$ 6,134	$ 1,825
DSC	1.51	1.72	1.97	1.76	9.94	1.52
Equity Ratio (%)	44.68	49.23	61.18	43.61	82.91	41.26

	LAMB COUNTY	LIGHTHOUSE	LYNTEGAR	NORTH PLAINS	RITA BLANCA	SOUTH PLAINS
Number of Employees	42	39	112	45	31	148
Total Services in Place	13,117	10,779	26,052	7,262	8,712	68,104
Miles of Line	3,235	4,440	7,004	3,816	3,336	9,917
Peak Demand	103,393	101,130	203,342	100,186	119,192	293,737
Sales (MWh)	297,851	210,105	623,283	336,374	503,567	1,536,225
Net Utility Plant	$ 47,602	$ 46,843	$ 143,855	$ 56,474	$ 50,899	$ 227,770
Assets	$ 84,534	$ 86,391	$ 222,197	$ 84,073	$ 83,341	$ 343,829
Margins Plus Equities	$ 44,825	$ 47,001	$ 109,667	$ 51,757	$ 64,957	$ 148,195
Revenues	$ 27,304	$ 28,358	$ 63,202	$ 33,424	$ 39,192	$ 125,839
Cost of Purchased Power	$ 17,927	$ 15,718	$ 37,546	$ 21,011	$ 28,788	$ 88,995
Interest on Long-Term Debt	$ 1,439	$ 1,288	$ 3,790	$ 1,062	$ 416	$ 5,634
Net Margins	$ 850	$ 4,219	$ 3,652	$ 4,057	$ 5,016	$ 8,990
DSC	1.61	1.11	2.07	4.17	9.58	2.11
Equity Ratio (%)	53.03	54.40	49.36	61.56	77.94	43.10

	SOUTHWEST TEXAS	SWISHER	TAYLOR	TCEC	TOTAL
Number of Employees	45	41	83	114	992
Total Services in Place	13,866	9,704	26,925	23,930	290,836
Miles of Line	5,352	3,689	4,928	5,033	74,545
Peak Demand	49,248	71,649	108,501	156,160	1,802,267
Sales (MWh)	242,962	175,045	282,717	939,531	6,990,573
Net Utility Plant	$ 45,611	$ 32,447	$ 97,433	$ 233,429	$ 1,259,445
Assets	$ 66,273	$ 60,533	$ 137,832	$ 301,437	$ 1,935,945
Margins Plus Equities	$ 45,852	$ 36,474	$ 54,036	$ 68,453	$ 927,673
Revenues	$ 22,154	$ 20,051	$ 39,226	$ 83,884	$ 658,749
Cost of Purchased Power	$ 11,812	$ 13,516	$ 20,140	$ 48,014	$ 416,725
Interest on Long-Term Debt	$ 534	$ 713	$ 3,594	$ 10,676	$ 35,452
Net Margins	$ 1,836	$ (765)	$ 1,152	$ (8,431)	$ 32,870
DSC	3.45	1.15	1.40	1.70	2.92
Equity Ratio (%)	69.19	60.26	39.20	22.71	53.35



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
OWNED POWER GENERATION FACILITIES

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

AEEC – 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	Lyntegar
Big Country	North Plains
Coleman County	Rita Blanca
Concho Valley	South Plains
Deaf Smith	Southwest Texas
Greenbelt	Swisher
Lamb County	Taylor
Lighthouse	TCEC

Golden Spread Electric Cooperative, Inc.
A Touchstone Energy℠ Cooperative

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