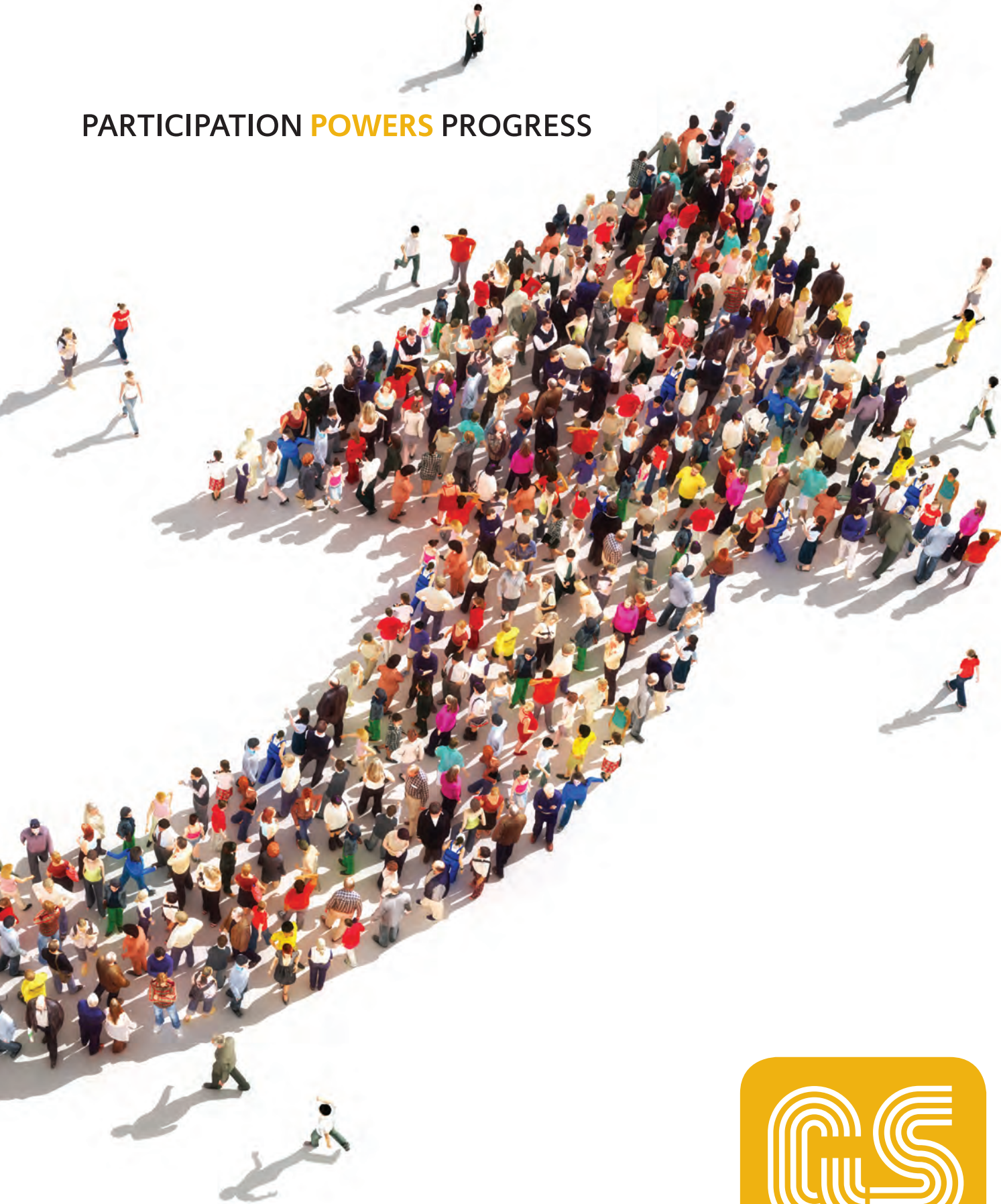


PARTICIPATION **POWERS** PROGRESS



PARTICIPATION POWERS PROGRESS



As Golden Spread Electric Cooperative, Inc. continues to respond to the challenges of fast-paced changes in our business environment, we are leveraging key partnerships that bring value to our Members. These partnerships supplement our abilities, taking advantage of economies of scale and allowing Golden Spread to focus on those areas where we can make the most contribution. Toward that end, Golden Spread is expanding key industry relationships in the areas of renewable energy, technology research and operational expertise.

Golden Spread became a member of the National Renewables Cooperative Organization (NRCO), which focuses on new renewable technologies and energy storage. Working with this partnership, we are able to bring more information regarding these resources to our Members to assist in evaluating technology options related to renewable energy—including community solar projects. Golden Spread Members benefit from the analytical capabilities of NRCO which have been developed through its experience with projects throughout the United States.

On the technological front, Golden Spread's Board toured the National Renewable Energy Laboratory (NREL) facility in Golden, Colorado, as part of its Strategic Board meeting in October. The NREL tour highlighted technological advances being made in the areas of electric vehicles, battery storage and advanced analytical work on the effects of distributed energy resources on electric distribution system operations.

Finally, Golden Spread is increasing its participation with ACES, a national energy risk management organization, to improve generation operations and market and North American Electric Reliability Corporation (NERC) compliance. We expect to move generation operations to ACES in 2021, which will allow for shared expenses with other ACES members in developing a state-of-the-art, cybersecure, compliant operations center to meet the needs of our Members in the most cost-efficient manner.

These partnerships allow us to focus on our strengths. For example, Golden Spread plans to take over transmission operations functions currently provided by a third party. This will let us leverage the work we already provide to our Members, expand in an area in which we can excel, and provide higher quality, economical service.

In each of these efforts, Golden Spread's focus is on the benefit to our Members and their Member-Consumers.

KEY DATA

2019

2018

CONDENSED FINANCIAL DATA

Operating Revenues	\$	400,591,411	\$	464,224,952
Operating Expenses		351,213,156		394,837,841
Operating Margins, before Fixed Charges		49,378,255		69,387,111
Fixed Charges Before AFUDC		26,940,993		28,155,323
AFUDC on Borrowed Funds		-		-
Non-Operating Margins		2,924,187		1,902,334
Net Margins		25,361,449		43,134,122
Total Assets		1,153,029,510		1,108,956,524
Long-Term Debt		563,718,084		586,007,365
Members' Equity		458,754,014		453,492,565
GSEC Properties - EBITDA	\$	611,650	\$	515,283

FINANCIAL RATIOS

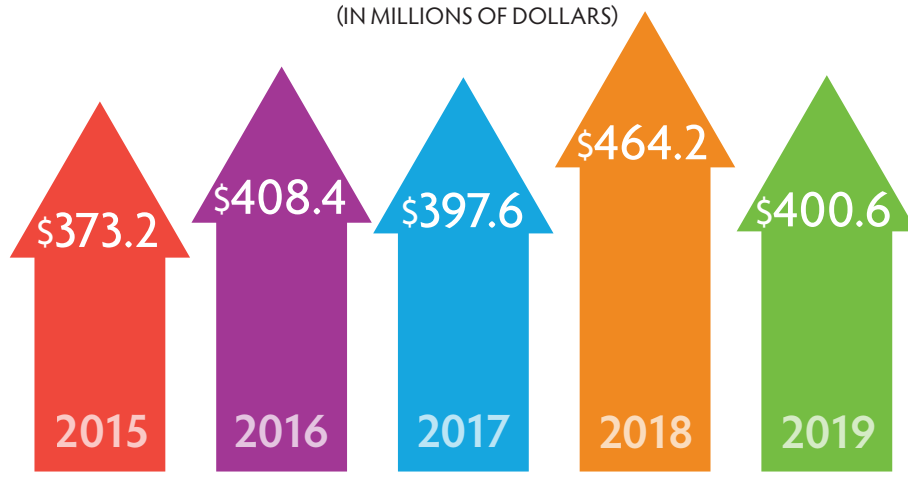
Total Equity/Total Assets (%)	39.79	40.89
Days Cash on Hand	221	136
Debt Service Coverage Ratio	1.97	2.32
Debt/Funds Available for Debt Service	5.65	5.00
Total Equity/Total Capitalization (%)	44.70	43.62

OPERATING STATISTICS

Average Sales Price/MWh - Members	\$	47.59	\$	50.92
Energy Sales to Members (MWh) - SPP		5,718,213		6,063,550
Energy Sales to Members (MWh) - ERCOT		1,790,433		1,688,135
Energy Sales Pilot Rider C (MWh) - ERCOT		1,070		1,507
Energy Sales to Members (MWh) - Total		7,509,715		7,753,192
Member Peak Demand (MW) - SPP		1,420		1,398
Member Peak Demand (MW) - ERCOT		309		289
Member Peak Demand Rider C (MW) - ERCOT		1		1
Member Peak Demand (MW) - Total		1,730		1,688
Gas Purchased (MMBtu)		52,926,278		34,552,077

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. The 2019 operating revenues do not include deferred nonmember revenue.

LETTER from the PRESIDENT and the CHAIRMAN of the BOARD

If any year demonstrates that the cooperative model works, 2019 was the year. The Members of Golden Spread Electric Cooperative, Inc. saw great results from their partnership of 16 Member-owned cooperatives. Among these accomplishments: a solid plan for the future, improved credit ratings, and most of all, protection from the rate volatility many other nearby utilities experienced during an especially hot and dry summer.

However, it is more important now than ever not to get complacent but to keep looking toward the future. Golden Spread's Board of Directors set a strategic plan for the next three years. The entire board participated in this collaborative effort to ensure the Golden Spread strategy continues to serve our Members' needs for years to come. The strategy focuses on the entire service chain, paying particular attention to aligning product offerings and rates with the needs of Members and Member-Consumers to provide even more value.

The updated strategic plan directs Golden Spread to improve services to Members in 2020 and onward by:

- Pursuing innovative growth strategies to bring more value, especially in the form of rates, to the Membership
- Reducing fixed costs and increasing productivity to improve the Members' competitive position
- Promoting a competitive and flexible power supply and resource portfolio

- Focusing on sustainable improvement and refinement of core business activities
- Developing capabilities, services and solutions to help Members better prepare for the future

In addition, the executive team realigned to focus on the areas of greatest need for the organization. Our team is focused on continuing to mature our risk, compliance and operations to protect Members in areas of market and regulatory concerns. This included splitting the duties of the power supply and power delivery teams to better meet Golden Spread's goals of improved service and operations.

The Golden Spread organization continues to mature, with efforts in the arenas of regulatory compliance, cybersecurity and more. The heavy focus on these areas in 2019 is showing results in both performance and awareness, and we're evaluating how to leverage cooperative organizations like ACES and NRCO to improve compliance, expertise and controls as we continue to advance the organization. Golden Spread's staff knows it must access the cooperative network to be successful in the rapidly changing utility industry.

Our credit ratings improved yet again, reflecting not only the organization's strength, but that of our Members, as well. Fitch Ratings, one of the three major credit

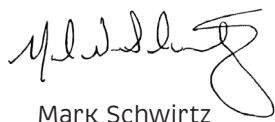


rating agencies, changed the way it determines credit ratings for Generation and Transmission Cooperatives, paying special attention to Member Cooperatives' finances to inform the creditworthiness of the partnership. When the Fitch team confirmed the strength of the Members in Golden Spread, they upgraded Golden Spread's credit rating from A to AA-. Standard and Poor's Financial Services also upgraded Golden Spread's credit rating this year, moving our ratings from A+ to AA-.

All of these activities add up to the most powerful highlight of 2019: Our Board's long-term strategy to generate, rather than purchase, power meant that Members benefited from low rates, even under volatile market conditions. Golden Spread experienced the same energy price volatility as many other cooperatives and utilities in the country, but the strategy our Members deployed almost 10 years ago protected our Members from the price spikes that much of the market felt.

That strategy of building innovative power supply assets was a difficult, capital-intensive decision, but it really paid off by protecting Members from significant price spikes in the ERCOT market last summer. Our power plants, Antelope Elk Energy Center and Mustang Station, performed admirably, working at almost full production throughout the summer. The plants allowed us to complement the power generation of the area's abundant wind resources and create a stable, reliable energy source for Members even during peak load conditions.

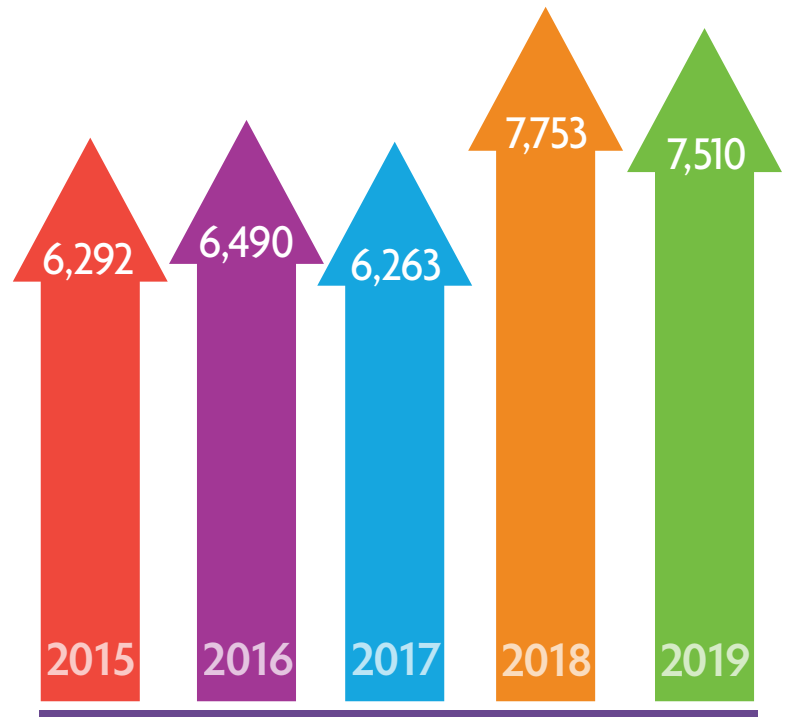
While this report is a look back at the great year we had in 2019, we hope you'll join us in our optimism about what the future has in store for Golden Spread. Our Board's hard work and visionary ideas have paid off. We're equipped with a robust strategy, a stable organization and a strong partnership that will power Members well for years to come.


Mark Schwirtz


Stan McClendon

SALES TO MEMBERS

(IN MILLIONS OF KILOWATT HOURS)



Fluctuations in kWh sales to Members are generally caused by weather conditions and resulting demand. New load in TCEC and increased oil and gas activity began in 2018 and continues to have a positive impact on sales to Members.



MUSTANG STATION Team Defines Its SAFETY CULTURE

SAFETY EXCELLENCE

Golden Spread's commitment to safety excellence also is sustained at Antelope Elk Energy Center (AEEC) near Abernathy, Texas, and Golden Spread Panhandle Wind Ranch (GSPWR) at Wildorado, Texas. These two facilities extended already impressive totals for safe work hours and workdays. As of February 2020, AEEC had 3,298 days without a lost time injury, while GSPWR came in with 3,151 days. That is a combined total of more than 500,000 safe work hours.

Golden Spread Electric Cooperative, Inc.'s Mustang Station had a great year in 2019, and it started with safety.

"You can feel it every day when you walk into the plant," said Production Asset Manager Ty Boatright. "The team hit several milestones in 2019, including 376,686 safe work hours since an OSHA lost time injury and 2,085 safe workdays (approximately 5.7 years) since an OSHA lost time injury."

The team at the Denver City, Texas, plant - comprised of staff members from contractor NRG Energy, Inc., and Golden Spread - took on a mission to define its safety culture, including the attitudes, values and principles they want in their workplace.

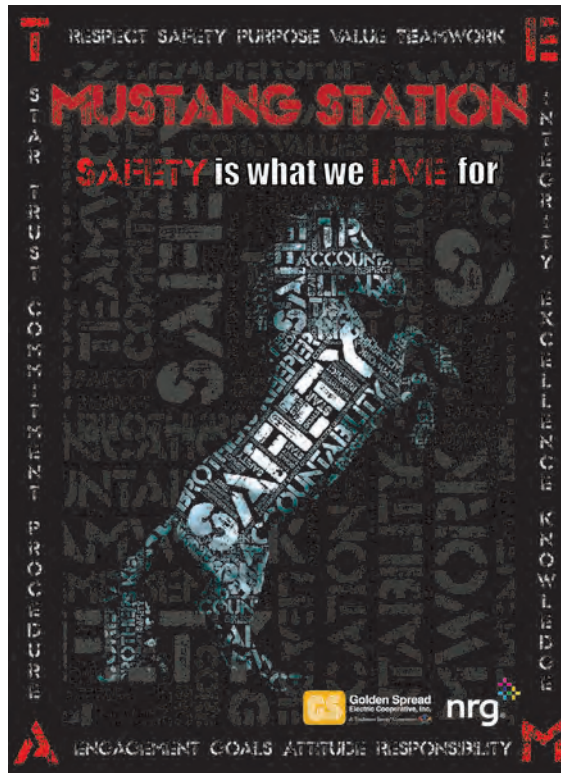
All staff members came together to discuss what a culture of safety is, why it is important and how it impacts daily activities at the plant. Team members asked themselves, "What principles would we want our son, daughter, family member or friend to know if they worked in a power plant?"

After several all-employee meetings, the following safety attributes were agreed upon:

- Leadership - Lead by example
- Accountability
- Teamwork
- Looking out for each other
- Open communication
- Common goals
- Buy-in from everyone
- Sincere commitment
- Safety over production
- Taking the time to do safety
- Trust
- Be here now
- Questioning attitude
- Engagement
- Take safety home
- Understanding and following procedures

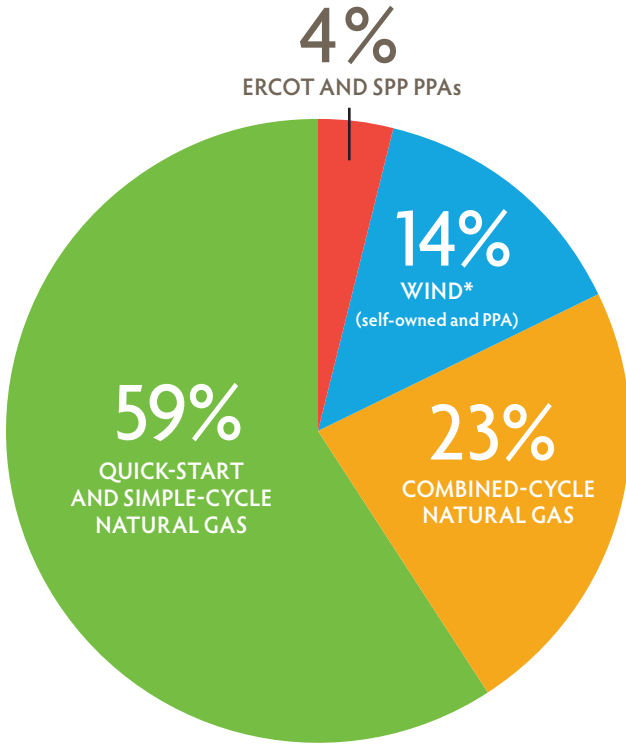
Each team member at Mustang Station took to heart their responsibility for creating this safety culture, and the results have been transformative, Boatright said.

Far right, Production Asset Manager Ty Boatright is an advocate for safety at Mustang Station. Right, Mustang Station employees' pride in their safety culture shows in this employee-produced poster.

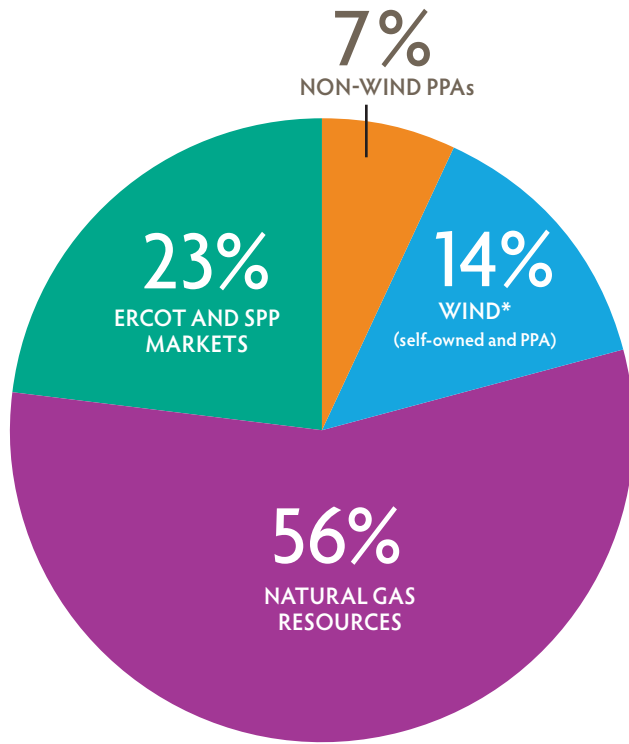


CURRENT RESOURCE OPERATION

2019 POWER SUPPLY RESOURCES



ENERGY SOURCES USED TO MEET 2019 MEMBER REQUIREMENTS



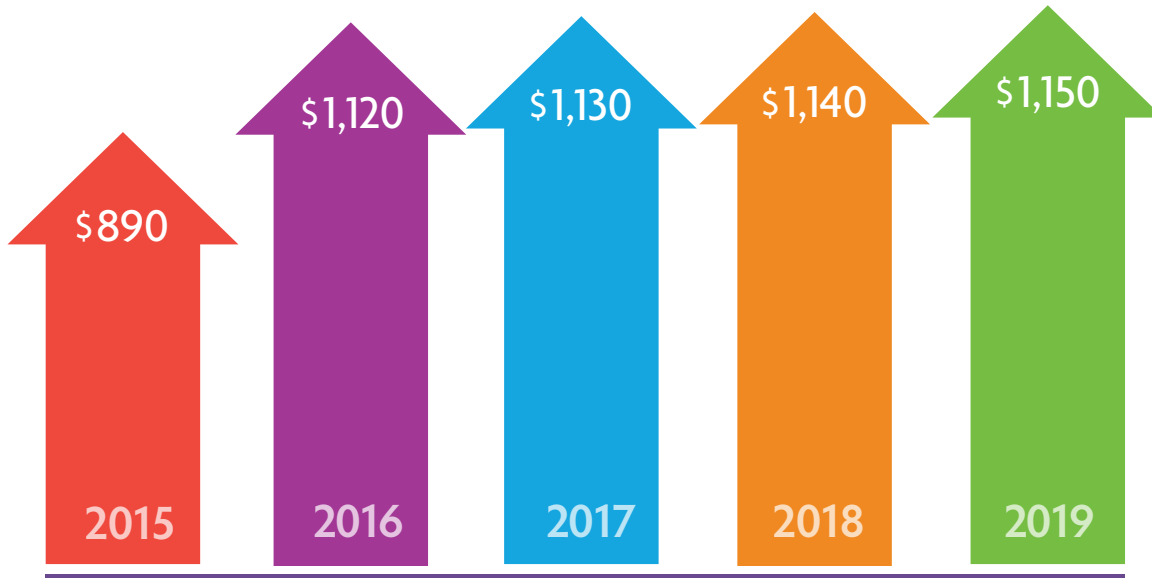
PPAs are power purchase agreements.

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

INVESTMENT TO UTILITY PLANT IN SERVICE

(IN MILLIONS OF DOLLARS)

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



Members Benefit from WELL-POSITIONED GENERATION STRATEGY in 2019

Members of Golden Spread Electric Cooperative, Inc. benefited from a well-positioned generation portfolio that yielded low and stable prices amid volatile energy markets in 2019.

The continued increase in oil production in the Permian Basin during spring 2019 generated excess associated gas, which led to very low natural gas prices in the region. Golden Spread was able to take advantage of abnormally low fuel prices to earn higher nonmember margins during the months of March, April and May, which are traditionally low nonmember margin months. Natural gas prices stabilized during the summer but remained low relative to previous years.

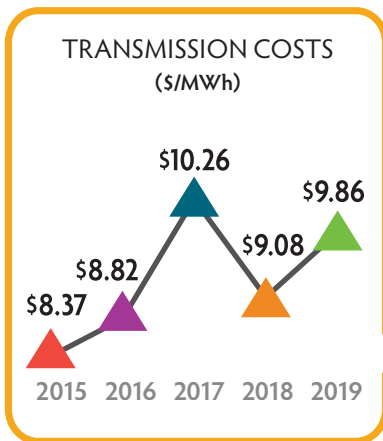
The lower gas prices allowed Golden Spread to maintain a low fuel-factor rate throughout the summer while ERCOT was experiencing high volatility. Golden Spread's long-term resource plan insulated its Members from the volatile conditions in ERCOT, including ERCOT's West Load Zone, and brought in very significant nonmember margins in the summer months.

Markets settled down substantially in the fall, and Golden Spread finished 2019 with a fuel-factor rate for the year of \$17.11/MWh, a weighted average cost of gas of \$1.06/MMBtu, and over \$65 million in nonmember margins, much of which is treated as deferred revenues pursuant to FERC approval.

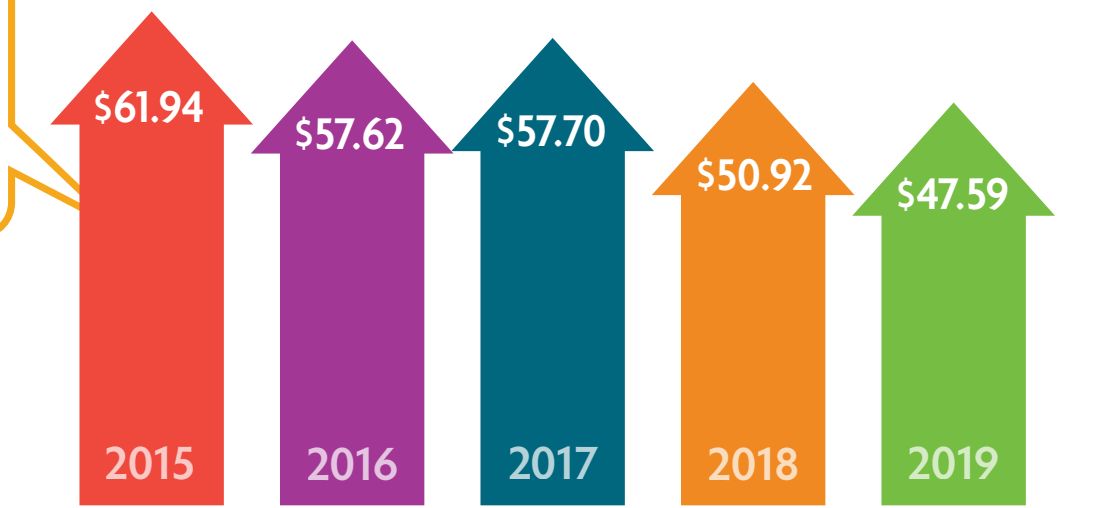
AVERAGE RATE TO MEMBERS

(IN DOLLARS PER MEGAWATT HOURS)

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



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





CREDIT RATINGS Are UPGRADED

In July 2019, Fitch Ratings (Fitch) upgraded its credit rating for Golden Spread Electric Cooperative, Inc. to “AA-” from “A” related to its \$25.0 million of outstanding secured notes issued pursuant to a 2005 private placement. The Fitch upgrade reflects Golden Spread’s very strong revenue defensibility, low operating risk and stable financial profile.

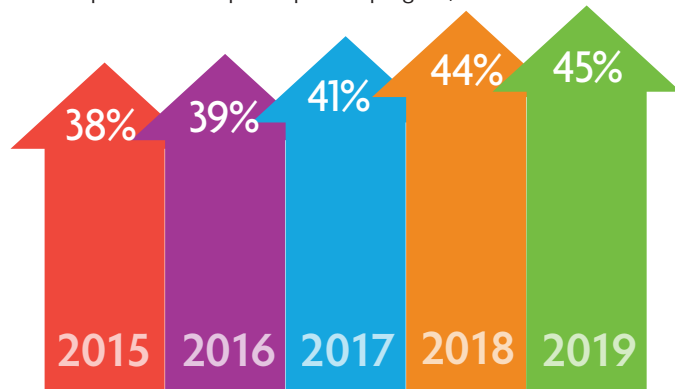
In October 2019, Standard & Poor’s Financial Services (S&P) upgraded its credit rating for Golden Spread to “AA-” from “A+.” The upgrade reflects a continuation of strong financial metrics, including strong coverage of fixed costs, strong liquidity and very strong equity.

In December 2019, Moody’s Investors Service (Moody’s) reaffirmed Golden Spread’s A2 rating. 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.

EQUITY/CAPITALIZATION

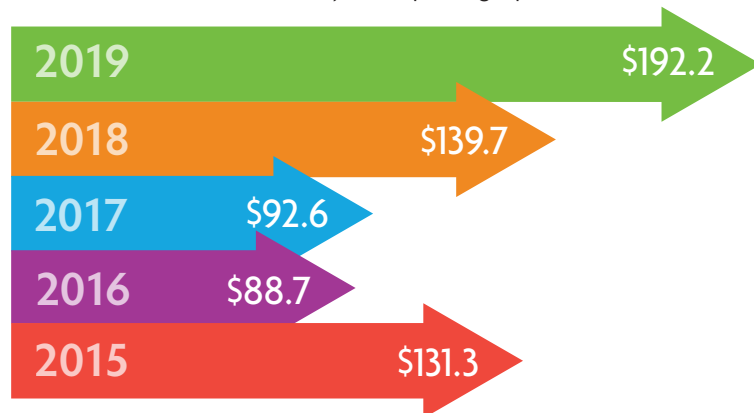
Golden Spread’s equity/capitalization ratio has improved since the completion of its capital expansion program, which ended in 2016.



CASH LIQUIDITY

(IN MILLIONS OF DOLLARS)

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



DEBT SERVICE COVERAGE (DSC) RATIO

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



UPDATED STRATEGIC PLAN Provides A Dynamic Roadmap

The Board of Directors of Golden Spread Electric Cooperative, Inc. refreshed our strategic plan in 2019, following the established three-year review cycle.

While we monitor and manage our strategic efforts throughout the year, we evaluate and adjust the organization's direction every three years in response to changes in the electric power industry landscape.

The 2019 review incorporated analyses based on a variety of scenarios that included renewable penetration, load growth, load loss, regulatory and market changes and high/low natural gas prices, as well as business-as-usual. Understanding how future uncertainties impact our business model allows Golden Spread to adapt or course-adjust as necessary to continue to serve our Members' needs efficiently.

Golden Spread's entire Board of Directors and key staff collaborated to set the strategic plan for the next three years. The updated plan provides a guide to focus Golden Spread's efforts and resources.

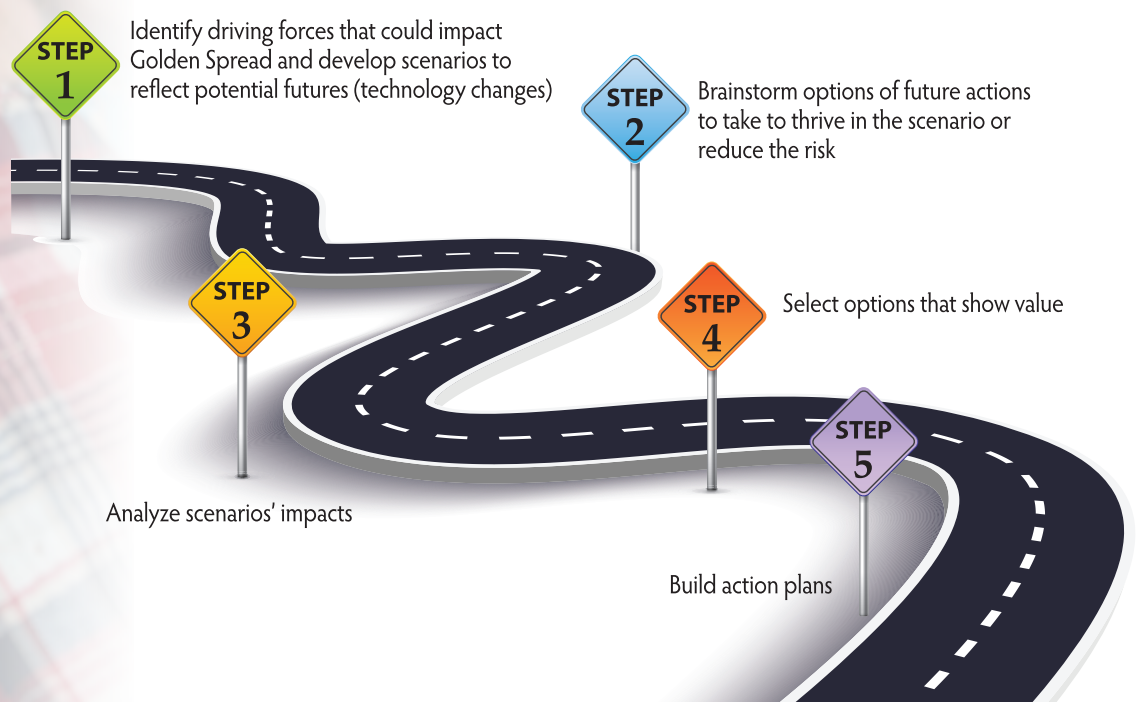
All strategic planning undertaken by Golden Spread is designed to support our fundamental goals to pursue innovative

business growth, maintain competitive advantage, promote a competitive and flexible power supply and resource portfolio and proactively prepare for the future.

With those goals in mind, the areas of focus for the 2019-2022 strategic plan are:

- Evaluation of load growth opportunities,
- Provision of new transmission services,
- Position our generation portfolio for the future,
- Evaluation of adaptive and flexible rate designs,
- Value-added Member services (for example, support for information technology and human resources efforts) and
- Monitoring distributed energy resources (DERs) developments to address possible opportunities and mitigate risks.

The 2019-2022 strategic plan provides a dynamic, flexible roadmap to effectively address the issues and demands of a changing environment, while supporting Golden Spread's proactive focus on continuous improvement in all areas of the organization.



Golden Spread Staff Gains GREATER KNOWLEDGE OF MEMBERS

Golden Spread Electric Cooperative, Inc. focuses on educating all its staff about each of the 16 Member Cooperatives we serve and about the cooperative model. Each of Golden Spread's quarterly all-staff meetings includes a Member speaker as part of the "Member Spotlight" portion of the meeting. Speakers educate Golden Spread staff about their unique territory and facilitate conversation about their Cooperative.

In 2019, North Plains Electric Cooperative, Inc. shared information about their service territory, Board of Directors, history and staff. Greenbelt Electric Cooperative, Inc. gave an overview of operations, along with an update that generated many questions from Golden Spread staff.

Coleman County Electric Cooperative, Inc. shared information about their mission, objectives, statistics, key ratios and outage tracers. Lamb County Electric Cooperative, Inc. shared an overview of their staff, initiatives, rate and revenue, and information about their purpose, key ratios and outage management.

Golden Spread staff enjoys these sessions and appreciates the learning experience and takeaways from each enlightening presentation.



Golden Spread staff (bottom photo) looks forward to presentations that highlight Members' operations. Shown here are presentations by Clint Gardner, Manager of Coleman County Electric Cooperative (top photo), and Stan McClendon, Manager of Greenbelt Electric Cooperative (middle photo).

MEMBERS PARTICIPATE in POWERFUL TRAININGS



5TH ANNUAL HUMAN RESOURCES AND ADMINISTRATIVE ASSISTANT MEETING

Each year, Golden Spread hosts an annual Human Resources/Administrative Assistant meeting at the Golden Spread Regional Office in Lubbock. Thirty-one attendees representing 12 Member Cooperatives took advantage of the opportunity to network and to share expertise, best practices and lessons learned.

GOLDEN SPREAD MEMBER FORUMS

Golden Spread hosts several Member Forums each year to facilitate collaboration and education for Members' employees. In 2019, Monica Beavers, Texas Touchstone Energy Regional Manager, presented a hands-on session titled "Touchstone Energy 101." She conducted an extensive walk-through of the Touchstone Energy website to show how to find available resources, such as graphics, the co-op website development tool and the free membership card for discounts. Touchstone's tools empower our Members to communicate valuable information to their Member-Consumers.

Another Member Forum highlighted the many load growth accomplishments of Golden Spread Members. Group discussion involved exchanging ideas, sharing experiences and celebrating accomplishments that Members achieved individually, as well as collectively through participation with each other.

High peak demand and economic development efforts in Members' territories contributed to load growth and made 2019 a record-setting year for Golden Spread. Residential developments continue to be successful in Members' areas, along with industrial expansion that includes new compression stations, pumping stations and sand mining. New additions, such as oil and gas wells, irrigation wells, dairies, cotton gins and a seed mill continue to add load. Renewable energy projects in these territories are increasing, which brings new load for auxiliary power to solar and wind projects.

These accomplishments were brought about by the participation, hard work and commitment of each Member and contributed to the collective load growth success in all Members' territories.

MEMBERS PARTICIPATE in POWERFUL TRAININGS

ELECTRICITY 101

Golden Spread hosted Electricity 101 training courses twice in 2019 - one for Golden Spread staff and one for a Member Services Forum. Topics such as basic electrical systems, generating electricity, transmission systems and distribution systems are covered in the half-day training. The course is followed with a hands-on exercise where each participant makes a working lamp from a soda can. The course engages employees and increases their knowledge of electric system fundamentals.



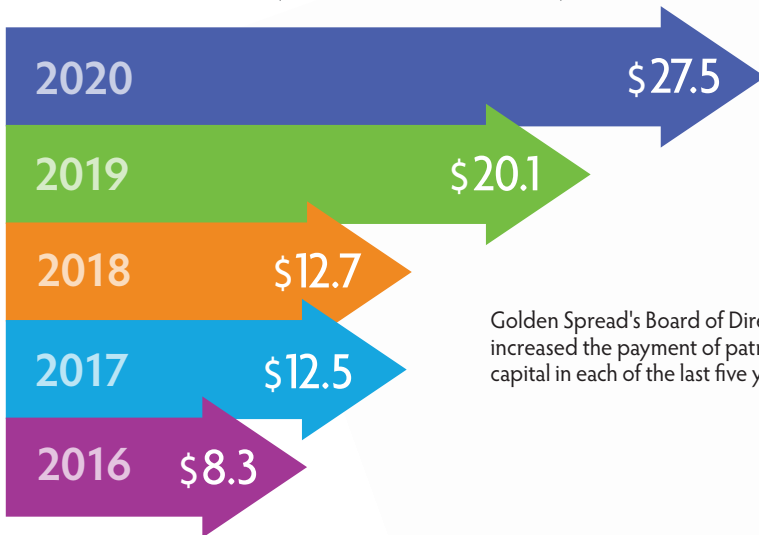
IT COMMUNITY GROUP MEETING

Golden Spread hosted the IT Community Group Meeting, which included attendees from 10 Member Cooperatives. The course reviewed common cybersecurity tools that can be used to perform penetration testing on cooperative systems. The information gathered from such tests can be used to harden IT environments against present-day threats. The meeting covered topics for incident response for a cyber event, the importance of a security plan and how blockchain and artificial intelligence are being used in the energy industry.



PATRONAGE AND CONTRIBUTED CAPITAL DISTRIBUTIONS

(IN MILLIONS OF DOLLARS)



Golden Spread's Board of Directors increased the payment of patronage capital in each of the last five years.





All-Out Effort Assures COMPLIANCE READINESS

The compliance vision and rallying cry of Golden Spread Electric Cooperative, Inc. is “Compliance: Bring It into Focus.” In 2019, we increased our already sharp focus on compliance by undertaking completion of a number of major initiatives.

Golden Spread initiated a mock audit of its compliance related to the 19 operations planning standards and 10 critical infrastructure protection standards of the North American Electric Reliability Corporation (NERC). ACES, an important Golden Spread partner, played a key role in the on-site mock audit, which included staff interviews and training. The hard work and all-out effort of everyone involved in the mock audit assured that Golden Spread is audit-ready.

Golden Spread’s compliance team also established and made substantial progress on several important priority initiatives. These include performing an annual compliance risk assessment, developing a compliance audit plan and establishing a formal compliance training program, including completion of intensive training on sound and ethical market trading practices.

The compliance team also assisted in leading a team of Golden Spread employees to complete a comprehensive review and establish programs, policies and procedures to address compliance with all applicable Electric Reliability Council of Texas market rules and started the same effort for Southwest Power Pool market rules. In addition, compliance played an important role in supporting the effort to establish a transmission operations center and shift some compliance functions to ACES.

All in all, 2019 was a year in which Golden Spread reorganized the compliance organization and took major steps to mature its strong compliance program.

EXECUTIVE TEAM Is Realigned

As the Board of Directors created an updated strategic plan to guide Golden Spread Electric Cooperative, Inc. for the next three years, the executive team underwent realignment to improve focus on the organization's greatest needs.

BILL HARRELSON, Chief Legal Officer and General Counsel, adds responsibilities as Chief Compliance Officer. This change positions Golden Spread to continue maturing its risk and compliance functions.

As part of the restructuring, **KARI HOLLANDSWORTH** joins the executive team as the Vice President of Commercial and Asset Operations. Hollandsworth has been a valued Golden Spread employee since she joined the staff as an energy analyst in 2009. She was instrumental in generation planning and technology selection during Golden Spread's extensive generation capital expansion period. In her new role, Hollandsworth is responsible for ensuring that initiatives and

operations are in alignment with the strategic direction outlined by the Golden Spread Board of Directors.

Golden Spread split the duties of the Power Supply and Power Delivery teams. This division allows both teams to better focus on their goals and the unique requirements of their duties. The Power Supply team reports to Hollandsworth, and the Power Delivery team reports to **JOHN EICHELMANN**, whose updated title is Vice President of Member Services and Power Delivery.

And finally, **MATT LOWE** assumes the role of Chief Financial Officer. A Golden Spread employee for five years, Lowe has a broad finance, accounting and management background. He has served as controller, budget analyst, accountant and internal auditor for private and government entities. He is responsible for Golden Spread's financial and risk management.



THE GOLDEN SPREAD EXECUTIVE TEAM

MARK SCHWIRTZ, President and Chief Executive Officer



Mark Schwirtz joined Golden Spread in 2008 as President and CEO. He has 35 years of electric utility experience and has served on the Boards of the Oklahoma Association of Electric Cooperatives, Inc., ACES and the Electric Reliability Council of Texas. His extensive work in the industry includes testifying on fuel and other utility issues before state and federal regulatory bodies. He is experienced in power supply planning, environmental permitting and electric utility operations and management and is the author of several environmental publications. Schwirtz holds a bachelor's degree in Meteorology from Texas A&M University and was a Commissioned Officer in the United States Naval Reserve. (Update: Schwirtz took medical leave, effective March 10, 2020, and has since permanently stepped down as CEO. Scott Gross is serving as Interim President and CEO until the Board retains a new CEO to succeed Schwirtz.)

SCOTT GROSS, Interim President and Chief Executive Officer



Scott Gross joined Golden Spread in March 2013 and has over 30 years of finance, accounting and management experience. Prior to serving as Interim President and Chief Executive Officer, Gross was Golden Spread's Chief Financial Officer, responsible for upholding strong financial management and accountability while providing timely, accurate and reliable financial information and enhancing internal control. Before joining Golden Spread, Gross served as the Director of Accounting and Finance for Power Plant Management Services, LLC where he managed several special purpose entities that own independent power projects. Gross holds a Bachelor of Business Administration degree in Accounting from West Texas A&M University and is a Certified Public Accountant licensed in the State of Texas. He is an active member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants.

BILL HARRELSON, Chief Legal and Compliance Officer



Bill Harrelson joined Golden Spread in 2012 as Associate General Counsel, and subsequently was named Chief Legal Officer in 2016 and Chief Compliance Officer in 2019. His 40+ years of legal experience include General Counsel of the Missouri Public Service Commission, Senior Counsel for the Western Division of telecommunications giant MCI and Senior Counsel for Gulf States Utilities (now Entergy Texas) where he handled regulatory proceedings before the Public Utility Commission of Texas. Harrelson has a master's degree in Intellectual Property Law, with Honors, and a Juris Doctorate degree from the University of Missouri-Columbia School of Law.

MATT LOWE, Chief Financial Officer



Matt Lowe joined the finance and accounting team at Golden Spread in 2015. He has 15 years of finance, accounting and management experience serving private companies and government entities as controller, budget analyst, accountant and internal auditor. At Golden Spread, Lowe has been a senior supervisory accountant and then controller before becoming the Chief Financial Officer on April 1, 2020. He is responsible for upholding strong financial management, risk management and accounting while providing accurate, timely and reliable financial information. Lowe received a bachelor's degree in finance and accounting from West Texas A&M University and is a Certified Public Accountant and Certified Internal Auditor.

THE GOLDEN SPREAD EXECUTIVE TEAM

(Continued)

PEG RUPERT, Chief Strategy and Information Officer

Margaret (Peg) Rupert, PMP, joined Golden Spread in 2013 and is Chief Strategy and Information Officer. She has more than 20 years of utility industry experience as a leader in IT and business strategy, business process improvement, change enablement, and project and program management. Rupert started her career with Accenture, where she delivered multi-million-dollar transformational programs for Fortune 500 companies, including many of the country's largest utilities. She also was a technology executive at Consumers Energy, the fourth largest electric and gas utility. Rupert has a bachelor's degree in Computer and Information Systems from Western Michigan University's Haworth College of Business.



JOHN EICHELMANN, VP, Member Services and Power Delivery

John Eichelmann joined Golden Spread as Director of Member Rates and Technical Services in 2013. His primary focus is identifying and serving Golden Spread Members' needs, including rate, regulatory and technical services. In 2019, he assumed responsibility for the Power Delivery team. Eichelmann previously served 21 years with Southwestern Public Service Company/Xcel Energy. He is a Board Member of the National Renewables Cooperative Organization (NRCO). Eichelmann has bachelor's and master's degrees in Economics from New Mexico State University, and his master's degree included an emphasis on public utility regulation and pricing.



MICHELLE BLACKMORE, VP, Human Resources

Michelle Blackmore joined Golden Spread in 2012 and has 19 years of experience leading human resource and organizational development initiatives. In her role at Golden Spread, Blackmore helps advance Golden Spread through leadership and by building and sustaining a high-performance culture. Previously, she held HR leadership positions at technology company Tait Communications, ADP TotalSource, Goodyear Tire and Rubber Company and 7-Eleven Stores. Blackmore received a bachelor's degree in Organizational Leadership from Southern Nazarene University and a master's degree in Human Resource Management from Keller Graduate School of Management.



KARI HOLLANDSWORTH, VP, Commercial and Asset Operations

Kari Hollandsworth joined Golden Spread as its 14th employee in 2009. She has more than 20 years of utility experience, including asset management, business development, resource planning, finance and risk management. In her current role, Hollandsworth is responsible for market operations and power supply activities, ensuring that initiatives and operations are in alignment with the strategic direction outlined by the Golden Spread Board of Directors. Previously, Hollandsworth worked for Xcel Energy and an independent power producer. Hollandsworth has a bachelor's degree in Economics and Business Management from Cornell University.





Golden Spread 2019 BOARD OF DIRECTORS



**BACK ROW left to right: Greg Henley, Dwain Tipton, Roger Blackwelder, Kevin Humphreys,
Benny Nixon, Dwain Strange**

**FRONT ROW left to right: Ben Franklin, Ryan Bartlett, Randy Mahannah, David Sell,
Shad McDaniel, Boyd McCamish, David Marricle**

Remaining Board Members on following page



Golden Spread 2019 BOARD OF DIRECTORS

(Continued)



BACK ROW left to right: Mark McClain, Kelly Lankford, Clint Gardner, Jim Batton,

Mike Veazey, Vick Christian, Keith Hicks, Steve Williams, Jeff Copeland

FRONT ROW left to right: Stan McClendon, Brent Wheeler, Bob Fuchs, Mark Appling,

Dale Ancell, Shawn Martinez, Albert Daniel, Zac Perkins, Buff Whitten

(not pictured, Cecil Davis)

BOARD OF DIRECTORS*



STAN MCCLENDON - Chairman

GREG HENLEY - Vice Chairman

KELLY LANKFORD - Secretary/Treasurer

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• Keith Hicks • David Marricle

BIG COUNTRY ELECTRIC COOPERATIVE

• Roger Blackwelder • Mark McClain

COLEMAN COUNTY ELECTRIC COOPERATIVE

• Bob Fuchs • Clint Gardner

CONCHO VALLEY ELECTRIC COOPERATIVE

• Jeff Copeland • Kelly Lankford

DEAF SMITH ELECTRIC COOPERATIVE

• Vick Christian • Mike Veazey

GREENBELT ELECTRIC COOPERATIVE

• James Batton • Stan McClendon

LAMB COUNTY ELECTRIC COOPERATIVE

• Kevin Humphreys • Boyd McCamish

LIGHTHOUSE ELECTRIC COOPERATIVE

• Mark Appling • Albert Daniel

LYNTEGAR ELECTRIC COOPERATIVE

• Ben Franklin • Greg Henley

NORTH PLAINS ELECTRIC COOPERATIVE

• David Sell, CPA • Randy Mahannah, PE

RITA BLANCA ELECTRIC COOPERATIVE

• Shad McDaniel, PE • Brent Wheeler

SOUTH PLAINS ELECTRIC COOPERATIVE

• Benny Nixon • Dale Ancell

SOUTHWEST TEXAS ELECTRIC COOPERATIVE

• Steve Williams • William “Buff” Whitten

SWISHER ELECTRIC COOPERATIVE

• Dwain Strange • Dwain Tipton

TAYLOR ELECTRIC COOPERATIVE

• Cecil Davis • Ryan Bartlett

TCEC

• Shawn Martinez • Zac Perkins

* As of February 11, 2020

GOLDEN SPREAD OFFICERS

SCOTT GROSS - Interim President and Chief Executive Officer

BILL HARRELSON - Assistant Secretary and Chief Legal and Compliance Officer

MATT LOWE - Assistant Treasurer and Chief Financial Officer

MARGARET “PEG” RUPERT - Chief Strategy and Information Officer

BOARD RECOGNITION



PARKER BARRON WETSEL

IN REMEMBRANCE

In recognition of the passing of two former Board Members, Golden Spread Electric Cooperative, Inc. extends condolences to the families of **PARKER BARRON WETSEL** and **TOMMY JOINES**.

Mr. Wetzel was born in Fisher County in West Texas and graduated from Texas A&M University. He volunteered in the U.S. Army and served our country with honor during WWII. Mr. Wetzel began his service to the utility industry in 1951 and retired in 1988 as General Manager of Midwest Electric Cooperative, which merged with another cooperative to form Big Country Electric Cooperative. He served on the Golden Spread Board of Directors from 1985 to 1988. The years of experience he brought to Golden Spread's formative years was instrumental to its success.



TOMMY JOINES

Mr. Joines was born in Caddo, Oklahoma, and began farming at age 30 near Cotton Center, Texas. Mr. Joines began his service to the utility industry by joining the South Plains Electric Cooperative Board of Directors in 1985 and served until his retirement in 2019. During his Golden Spread Board tenure from 1985 to 2019, Mr. Joines served on several committees including Farm Management, Audit, Airplane, and Risk, Asset and Finance. We are thankful for Mr. Joines' vision, time and commitment to Golden Spread.





U.S. Representative Jodey Arrington, foreground, tours Golden Spread's Antelope Elk Energy Center near Abernathy, Texas. AEEC is located in Rep. Arrington's Congressional District 19.

LEGISLATIVE EFFORTS SUPPORT MEMBERS

Golden Spread Electric Cooperative, Inc. continued its work in 2019 to educate state and federal legislators about issues faced by Golden Spread and its Members. Efforts included leveraging the Golden Spread Political Action Committee (GSPAC) and grassroots advocacy.

GSPAC is comprised of voluntary employee and Board of Directors contributions and is used to support elected officials, regardless of political affiliation, who have demonstrated a willingness to support Golden Spread's interests.

During the Texas and Oklahoma legislative sessions, Golden Spread worked closely with its respective statewide associations to keep Members apprised of legislative issues and to advocate on their behalf.

Golden Spread and its Members hosted several site visits with state and federal legislators and also participated in state and federal legislative conferences and town halls. These activities have proven to be an excellent opportunity to foster relationships with legislators and their staffs and to engage them in policy issues that protect the interests of Golden Spread and its Members.

Nationwide, cooperatives had a successful legislative year in 2019. Through grassroots advocacy, Golden Spread and cooperatives all over the country were able to obtain the significant congressional support necessary to pass the Revitalizing Underdeveloped Rural Areas and Lands Act and the Setting Every Community Up for Retirement Enhancement Act, as well as to repeal the "Cadillac Tax" and other legislation of importance to cooperatives.

Golden Spread was named a "5-Star Co-op" by the National Rural Electric Cooperative Association in 2019. This designation recognizes Golden Spread's high level of participation in the "Co-ops Vote" initiative, a national, non-partisan campaign seeking to engage voters and boost turnout in areas served by electric cooperatives. Golden Spread is one of a handful of cooperatives in the state to receive this recognition.

PROUD 5-STAR ELECTRIC CO-OP



ERCOT Market Communications SYSTEM IMPROVEMENTS

Golden Spread Electric Cooperative, Inc. underwent two substantial reliability upgrades to the market communications systems at Antelope Elk Energy Center (AEEC). These upgrades affect the communications systems that support data centers, ACES and the Electric Reliability Council of Texas (ERCOT), ultimately improving AEEC's ability to operate in the ERCOT market.

As part of the first reliability upgrade, Golden Spread secured private networks. The network equipment was configured to encrypt and dynamically route traffic across new private circuits with an architecture focused on redundancy. Success of this project required the Golden Spread project team to coordinate with several external vendors across a vast geographic area.

The second improvement was the installation of a backup communications

system to create redundancy in the Wide Area Network (WAN) that connects AEEC to ERCOT. Before this improvement, the data path from AEEC to ERCOT was limited to a single physical path, limiting the plant's reliability for operation in the ERCOT market.

Golden Spread ordered a new WAN connection to be installed at the data center, routing traffic through this connection as an alternate path. This path makes use of wireless technology to avoid single points of failure, improving Golden Spread's ability to reliably operate in the ERCOT market.

These two independent communications systems translate to reliable, secure communications with ERCOT. As a result, Golden Spread has an even stronger security posture for protecting critical energy information.





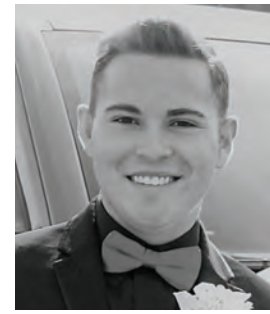
MARK HOLTMAN
Wall High School
Concho Valley Electric
Cooperative



EMILY JENKINS
Sundown High School
Lyntegar Electric
Cooperative



MANUEL MEDINA
Guymon High School
TCEC



CALVIN NEAL
Smyer High School
South Plains Electric
Cooperative



MARCOS PEDROZA
O'Donnell High School
Lyntegar Electric
Cooperative



ANSLEY STEED
Childress High School
South Plains Electric
Cooperative



GWENDOLYN WALSER
Canadian High School
North Plains Electric
Cooperative



SARA WILLIS
Childress High School
South Plains Electric
Cooperative

DIRECTORS' MEMORIAL SCHOLARSHIP

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

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

Student recipients receive a total of \$2,000, providing \$500 for each of four semesters for a student's first two years. Eight students received scholarships in 2018. More than \$121,000 in

scholarship funds have been disbursed to 95 recipients since the first scholarship was awarded in 1995.

Currently, the scholarship fund has a balance of \$179,665 and is administered by Opportunity Plan, Inc., located in Canyon, Texas. Golden Spread makes annual contributions to the fund, in addition to making contributions in memory or in honor of past Board Members. Individual contributions are welcomed and add to the endowment for the scholarship fund.

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





GIVING BACK, the Cooperative Way

The Community Involvement Committee (CIC) of Golden Spread Electric Cooperative, Inc. demonstrates the Cooperative Principle “Concern for Community” and Golden Spread’s Operating Principle “Care and Give” in real and tangible ways. Throughout 2019, the CIC has been able to support many worthy organizations not only through monetary support, but also with volunteer service.

The Golden Spread Board of Directors entrusts to the CIC an annual budget, which is used to benefit the areas where we live and serve, including Amarillo, Lubbock and all the territory served by our 16 Members. In addition to these funds, Golden Spread employees contribute both monetary and in-kind donations to further the CIC impact.



Activities and organizations are selected by the CIC and supported by Golden Spread employees. Approximately \$15,000 in employee donations support volunteer fire departments and senior nutrition programs in our Members’ service territories. Employees also participate in donation drives that gather snacks, art, children’s coats and books. Along with support from the Board of Directors’ annual budget and Golden Spread employees, the CIC has distributed more than \$300,000 to charitable organizations since its inception in 2013.

In addition to monetary donations, Golden Spread employees are granted 16 volunteer hours during regular business hours to use in service to a CIC-approved organization. Golden Spread employees have volunteered approximately 500 hours in service to the community this past year. Volunteer projects include sorting canned goods, wrapping gifts, packing and delivering meals to local elementary schools, interacting with veterans at a monthly birthday celebration, organizing special events, preparing meals, mentoring students, building houses, donating blood, gardening and more.



The CIC currently has 17 members that coordinate each activity, and many members have served since the CIC was organized. The 2019 CIC officers were Courtney Studer, chair; April Swindell, vice chair; Sharla Fowler, secretary; Mary Heisler, treasurer; and Stacy Sanning, Board of Directors liaison. The focus for 2020 is to further the CIC impact through increasing the use of volunteer hours, diversifying volunteer opportunities and continuing to seek worthy organizations to support.



RETIREMENT

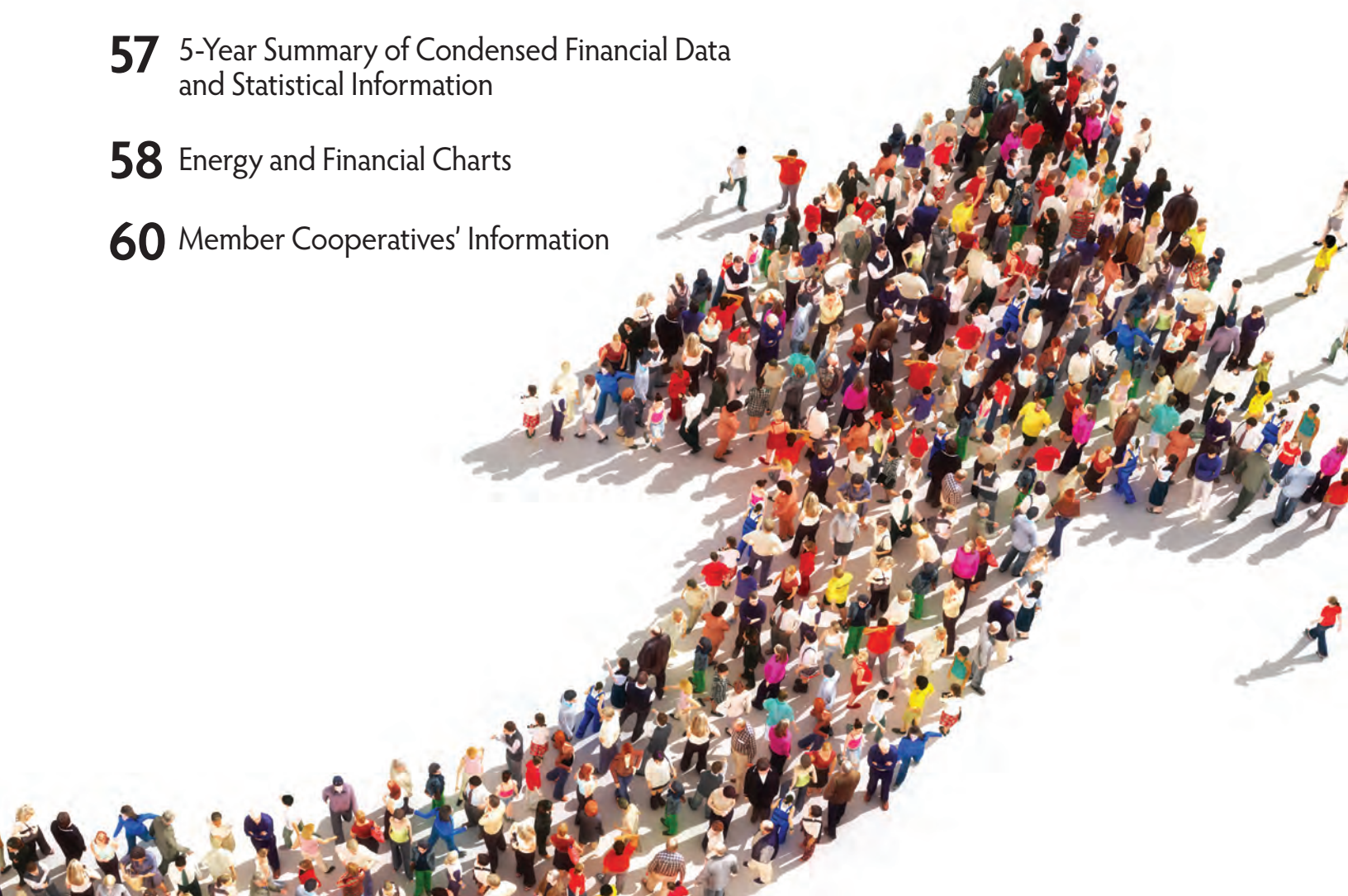
MELODY GILLIS

Melody Gillis, CPA, served Golden Spread for more than 20 years and was financial reporting administrator and staff liaison for the Board's Audit Committee and Search Committee upon her retirement in January 2020. Over her tenure, Gillis was a team member on several major projects, including detailed preparation of the annual audit and annual report; the addition of the five most recent Golden Spread Member Cooperatives; the 2005 and 2011 private placement debt of \$55 million and \$430 million, respectively; and initial credit ratings from Fitch Ratings, Standard & Poor's and Moody's. She also secured a \$17 million grant from the Department of Energy to accelerate installation of Smart Grid technology for Golden Spread Members and a \$47 million federal grant related to the Golden Spread Panhandle Wind Ranch.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

of Financial Condition and Results of Operations

Management's Discussion and Analysis provides an overview of the consolidated financial condition and results of operations of Golden Spread Electric Cooperative, Inc. (Golden Spread) and its wholly owned operating subsidiaries as of December 31, 2019 and 2018, and for the 12 months ended December 31, 2019 and 2018. At December 31, 2019 and 2018, the operating subsidiaries included Golden Spread Panhandle Wind Ranch, LLC (GSPWR) and GSEC Properties, LLC (GSEC Properties). GSPWR owns wind generation assets, and GSEC Properties owns a seven-story office building in which Golden Spread's headquarters are located.

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

OVERVIEW

Golden Spread

Golden Spread, headquartered in Amarillo, Texas, is a tax-exempt, consumer-owned public utility, organized in 1984 to provide low-cost, reliable electric service for our rural distribution cooperative Members, located in both the Electric Reliability Council of Texas (ERCOT) and the Southwest Power Pool (SPP) regions. Currently, our 16 Members supply power to approximately 305,574 services in place, which represent approximately 240,405 Member-Consumers located in the Panhandle, South Plains and Edwards Plateau regions of Texas, the Panhandle of Oklahoma, and small portions of Southwest Kansas, Southeast Colorado and Northeast New Mexico. Six of our Members operate solely in SPP, four operate solely in ERCOT, and six operate in both regions. As not-for-profit rural electric distribution cooperatives owned and managed by their Member-Consumers, Golden Spread's Members are not subject to retail electric rate regulation by regulatory agencies in the states of Texas or Oklahoma, and retail electric rates are not regulated under federal law. Golden Spread, however, is subject to Federal Energy Regulatory Commission (FERC) regulation with respect to the rates it charges its Members for wholesale power supply.

In 2016, Golden Spread completed its transformation from a Generation and Transmission cooperative (G&T) that purchased most of its capacity and energy pursuant to power purchase agreements to a G&T owning the majority of its generating capacity. Over the past several years, Golden Spread built and purchased over 1,200 MW and entered into two long-term wind power purchase agreements. This generation expansion plan

replaced expiring power purchase agreements, met the growing load requirements of its Members, and added renewables to its generation portfolio. This generation expansion plan required a financial strategy to facilitate raising capital through debt offerings and equity.

Golden Spread's Board Members are committed to maintaining good financial metrics to support a strong balance sheet and provide good cash flows to support operations, capital expenditures and distribution to its Members. We continue to target the following financial objectives:

- Maintain long-term debt as a percentage of total capitalization of 65-70%;
- Maintain equity as a percentage of total capitalization of 30-35%;
- Maintain Debt Service Coverage (DSC) ratio of not less than 1.5 times; and
- Maintain cash working capital equal to 90 days cash operating expenses (including interest) for operating liquidity supplemented with credit lines to provide liquidity needed for other purposes, such as capital expenditures and collateral for credit markets.

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

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

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

Regulation

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

Golden Spread's rate schedules for full requirements sales to its Members are formula rates that allow recovery of all Golden Spread's costs plus a margin and include the ability to modify margin contribution levels with the Board's approval. Golden Spread periodically submits amendments to one or more of those rate schedules to FERC for its SPP-based Members to provide specific services to Members through riders or other contract amendments or to modify or clarify recovery of costs in rates. Comparable amendments are made to ERCOT-based Member rate schedules but are not filed with the PUCT. On June 7, 2019, Golden Spread submitted amendments to permit it to expand its service to allow a separate class of auxiliary backfeed service for solar generation facilities, and to create cost and revenue deferral mechanisms to smooth rates and help Members plan and budget energy costs. FERC allowed the amendment, effective June 1, 2019.

On November 19, 2019, and subsequently amended on December 20, 2019 and January 21, 2020, Golden Spread submitted amendments to the rate schedules to address the recovery of possible minimal income tax expenses, to provide demand rate stability and to make other ministerial changes to increase transparency in its formula rate. Golden Spread also provided its periodic update to delivery points of certain of its Members. FERC accepted the filing, effective January 1, 2020. Golden Spread must also maintain authorization under Section 204 of the Federal Power Act to issue debt. Currently, Golden Spread is authorized to: (1) issue short-term debt in an aggregate amount not to exceed \$600 million, (2) issue long-term debt in an aggregate amount not to exceed \$2 billion, and (3) continue to issue or assume notes in connection with the special facility transactions

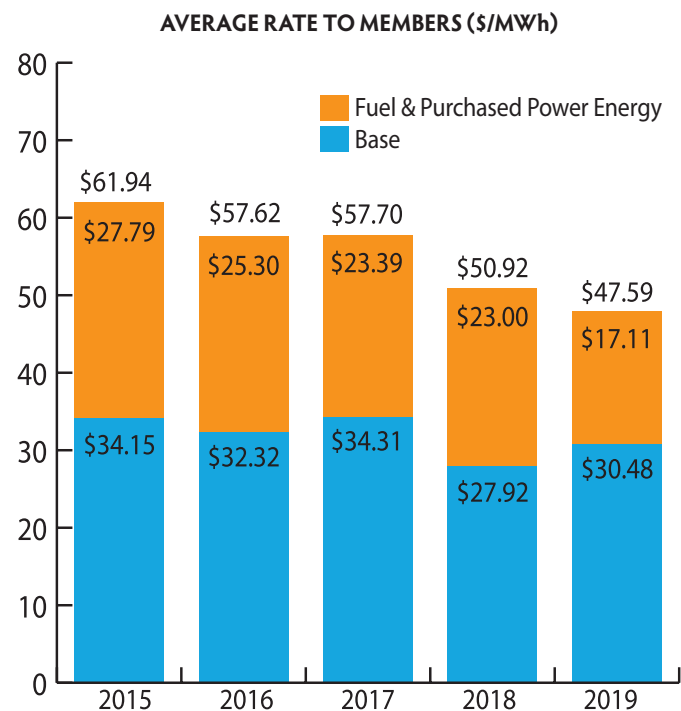
under Rider A of its wholesale rate. Current authorization to issue debt is through July 31, 2021.

We actively monitor and participate in regulatory proceedings of power, transmission and natural gas suppliers because costs of generation and transmission suppliers ultimately affect costs passed on to our Members. Golden Spread is an active participant in FERC proceedings and subsequent appellate review involving terms and conditions for the procurement of transmission services from SPP, as well as the rules governing the operation of the SPP Integrated Marketplace, under which Golden Spread buys and sells services to serve its Members' loads. Included in these proceedings are cases that specifically affect transmission rates within the zones of the SPP from which we take service, as well as proceedings that can generally affect market design, cost allocation, rules related to SPP governance or other terms and conditions of service.

Golden Spread has also intervened in PUCT cases that may affect Golden Spread or its Members' interests. In addition to being engaged in the dockets of other parties, Golden Spread filed two dockets of its own in 2018. In the first, Golden Spread filed an application to amend its Certificate of Convenience and Necessity for the conversion of Colorado River Municipal Water District's private 69kV transmission line to public use. This line is needed to serve new load in the service territory of Golden Spread's Member Coleman County Electric Cooperative, Inc. There were three intervenors in the case, with only one intervenor, Marion Sansom Ranch, filing direct testimony. The second docket is Golden Spread's application to change its Transmission Cost of Service (TCOS) and Wholesale Transmission Rates filed in June 2018. In its application, Golden Spread asked for expedited approval of an increase to its annual TCOS revenue requirements, as well as seeking to recover its reasonable and necessary rate case expenses and to reduce Taylor Electric Cooperative, Inc.'s TCOS to zero dollars to reflect the transfer of those transmission assets to Golden Spread. The parties were able to reach a settlement in both dockets and the applications were approved on April 4, 2019.

Golden Spread has supported and continues to support the NRECA's and other parties' legal challenges to the EPA's regulations on greenhouse emissions at 1) existing power plants (Clean Power Plan), and at 2) new, modified and reconstructed plants (New Source Rule). Unlike many other cooperatives, Golden Spread does not own coal-fired generating resources, and thus focuses its engagement in these EPA proceedings on protection of its natural gas-fired generation. These efforts resulted in the successful protection of its new gas-fired combustion turbines at Antelope Elk Energy Center (AEEC) from unreasonable restrictions under the New Source Rule. Golden Spread plans to continue its advocacy on gas-turbine regulations.

Rates



Fuel rates were lower in 2019 due to low natural gas prices for Golden Spread. In 2019, Golden Spread generated 56% of Members' loads with natural gas resources compared to 42% in 2018. This was due to natural gas prices that averaged \$1.06 per MMBtu compared to an average price of \$2.29 per MMBtu in 2018. Golden Spread has been able to achieve this lower price due to access to gas production fields (i.e. associated gas from oil production) that are priced much lower than traditional gas hubs. This low price allowed Golden Spread to provide energy at a much lower price to our Members.

In addition, Golden Spread takes advantage of low energy prices available in the ERCOT and SPP markets to keep rates low. In 2019, 23.0% of the energy needed to serve Members' loads was purchased from these markets, while in 2018, 40.0% was purchased. Golden Spread utilizes market purchases to reduce Members' rates when market prices are less than its incremental production cost.

Base rates were affected by increased plant operations and maintenance, transmission expenses, and administrative and general (A&G) expenses. This increase was partially offset by lower power purchase agreement (PPA) capacity costs. The 2019 Board-approved Equity Stabilization Charge (ESC) remained the same as 2018.

The primary driver of the decrease in rates in 2019, as compared to 2018, was lower fuel and purchased power energy costs discussed above.

RESULTS OF OPERATIONS

Sales

Sales are summarized in the following table:

SUMMARY OF SALES AND REVENUE

	<u>Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Operating Revenues (\$ in 000s)		
Member Sales	\$ 357,367	\$ 394,769
Nonmember Sales	28,852	57,911
Other	<u>14,372</u>	<u>11,545</u>
Total Operating Revenues	<u>\$ 400,591</u>	<u>\$ 464,225</u>
Megawatt-Hour Sales (MWh in 000s)		
SPP Member Sales	5,718	6,064
ERCOT Member Sales	<u>1,792</u>	<u>1,689</u>
Total Member Sales	7,510	7,753
Nonmember Sales (includes energy and ancillary services sales)	<u>1,591</u>	<u>971</u>
Total MWh Sales	<u>9,101</u>	<u>8,724</u>
Average Rate to Members (\$/MWh)	\$ 47.59	\$ 50.92

For the 12 months ended December 31, 2019, the average rate to Members decreased as compared to the same time period in 2018, due to lower fuel and purchased power energy charges and PPA capacity charges. But the lower average rate to Members partially was offset by higher plant operations and maintenance, transmission and administrative and general costs. Fuel and purchased power energy costs to Members averaged \$17.11 per MWh for 2019, which is lower than the 2018 average price of \$23.00 per MWh. The average fuel and purchased power energy costs were affected by changes in natural gas prices discussed above and were also affected by market prices that were, in turn, influenced by natural gas prices and increases in wind energy.

Member megawatt-hour energy sales for 2019 were lower as compared to 2018. Member sales were impacted by the variability in the oil and gas industry and fluctuations in weather, which affects irrigation sales.

Nonmember revenues decreased in 2019 due to a change in Golden Spread's wholesale power contracts requiring all nonmember margins and all major maintenance market revenue to be deferred as a regulatory liability. This change was effective June 1, 2019. This change allows these revenues to be applied to future rate periods at the discretion of Golden Spread's Board of Directors. This resulted in \$62.7 million of revenue being deferred as a regulatory liability.

Net Margins

Margins include the annual Board-approved ESC, which establishes the amount of margins to be included in rates each year, nonmember sales and other sources of margins. Other sources include interest earned on cash balances and patronage income. Interest income is affected in both years due to variations in interest rates and cash balances. Net margins for 2019 were \$25.4 million as compared to \$43.1 million for 2018. The decrease in net margins is due to nonmember sales margin being deferred to future periods as discussed above.

Operating Expenses

Operating expenses are summarized in the table below:

	YTD Ended December 31	
	2019	2018
<i>Dollars in thousands</i>		
Fuel and Purchased Power Energy	\$ 128,588	\$ 187,721
Purchased Power Capacity	5,085	7,916
Transmission	74,069	70,406
Plant Operations and Maintenance	41,036	30,116
Administrative and General	32,009	28,703
Depreciation	46,922	45,926
Taxes Other than Income Taxes	8,121	9,855
Other	15,370	14,195
Total	<u>\$ 351,200</u>	<u>\$ 394,838</u>

The changes in fuel and purchased power energy costs are directly related to volume of sales, fuel costs and the volume of energy purchased under third-party PPAs and net settlements in the ERCOT and SPP markets, as discussed above. For Members' loads, Golden Spread provides the lowest cost resources available. The decrease in purchased power capacity costs in 2019 was due to lower capacity rates and volume.

Transmission costs increased in 2019 compared to 2018 due to an increase in Golden Spread's load ratio share of transmission cost in the SPP and higher tariff charges from ERCOT and SPP transmission service providers.

Plant Operation and Maintenance (O&M) expenses vary from year to year based on a variety of factors ranging from increased operations, schedule of required planned maintenance and maintenance cost resulting from unplanned outages, along with other expenses necessary for plant operations. The increase in O&M expenses for 2019, as compared to 2018, was primarily due to increased planned and unplanned maintenance expenses at the Mustang Station and AEEC facilities. This was driven by an increased run time for the units. Furthermore, the

increase in expenses year over year was mitigated somewhat by the GSPWR wind facility renegotiating its turbine service contract in 2018.

Administrative and general costs were higher in 2019, as compared to 2018, due to increases in outside service costs and in labor costs.

Depreciation expense increased in 2019, as compared to 2018, as a result of completion of various capital projects and increased amortization of capitalized maintenance due to increased plant generation as discussed in the O&M section above.

Liquidity and Capital Resources

As of December 31, 2019, Golden Spread had available cash and cash equivalents of approximately \$192.2 million. Golden Spread also had lines of credit totaling \$235.0 million for liquidity purposes, such as the financing of our current capital projects, inventory purchases and for other liquidity needs. As of December 31, 2019, \$3.9 million was borrowed under these credit lines. There are no restrictions, limitations or pledges of cash or any other assets, other than as separately identified on the financial statements and in the footnotes. In May 2017, Golden Spread closed on a four-year line of credit agreement with National Rural Utilities Cooperative Finance Corporation (CFC) for \$80.0 million (downsized from the previous \$125.0 million agreement that was set to expire in August 2017). Also, in May 2017, Golden Spread closed on a new five-year \$50.0 million line of credit with CoBank. In June 2017, Golden Spread closed on a three-year \$75.0 million line of credit with Bank of America, which replaced the current \$85.0 million agreement that would have expired at the end of 2017. In June 2018, Golden Spread renewed an unsecured committed line of credit for \$30.0 million from Amarillo National Bank. This line of credit expires June 2020. In addition to the cash balances maintained at each year end, Golden Spread also had additional borrowing capability of approximately \$237.3 million under the Trust Indenture at December 31, 2019.

Line of Credit Usage

	Years Ended December 31	
	2019	2018
Maximum Amount Borrowed on Lines of Credit (in Millions)	\$ 3.9	\$ 41.8
Average Interest Rate	2.28%	2.89%

Contractual Obligations at December 31, 2019

The following table details our fixed contractual obligations for 2020 through 2024.

<i>Dollars in thousands</i>	PAYMENTS DUE			
	Total 2020-2024	2020	2021-2022	2023-2024
Principal Payments on Long-Term Debt	\$ 132,403	\$ 24,451	\$ 52,430	\$ 55,522
Interest Payments on Long-Term Debt	119,659	26,389	49,186	44,084
Purchased Power Obligations ¹ - Demand	2,831	2,831	-	-
Purchased Power Obligations ¹ - Energy	187,035	41,901	72,300	72,834
Firm Gas Transportation	52,987	12,257	20,365	20,365
Long-Term Service and Parts Agreement ¹	17,695	8,199	8,567	929
Wind Ranch Land Lease - Minimum Rent	4,235	847	1,694	1,694
Operating Leases	1,101	406	665	30
Total	<u>\$ 517,946</u>	<u>\$ 117,281</u>	<u>\$ 205,207</u>	<u>\$ 195,458</u>

¹Based on estimated energy delivered and forecasted pricing

Recognizing the need for equity and liquidity for operations, balanced with the Board's desire to make annual patronage and contributed capital refunds, the Board currently employs a patronage capital retirement policy of refunding annually a percentage of the prior year-end equity balance. In 2020, the Board authorized payment of patronage and contributed capital of \$27.5 million. In 2019 and 2018, distributions of \$20.1 million and \$12.7 million, respectively, were authorized and paid.

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

In October 2019, Standard & Poor's Rating Services upgraded our rating to AA- from A+. In July 2019, Fitch Ratings upgraded its rating on our 2005 Series senior secured debt to AA-, with a stable outlook. In December 2019, Moody's Investor Services reaffirmed its general corporate credit rating of A2 (unsecured) with a stable outlook.



KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report

The Board of Directors
Golden Spread Electric Cooperative, Inc.:

We have audited the accompanying consolidated financial statements of Golden Spread Electric Cooperative, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, changes in Members' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, 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, 2019 and 2018, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2019 in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 14 to the consolidated financial statements, in 2019 Golden Spread changed its method of accounting for revenue from contracts with customers due to the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

KPMG LLP

Albuquerque, New Mexico
April 23, 2020

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2019 and 2018

Assets	2019	2018
Utility plant at cost:		
Electric plant in service	\$ 1,149,971,602	1,140,452,780
Capital maintenance	31,349,252	31,501,386
Construction work in progress	3,244,028	1,361,524
Less accumulated depreciation – plant and equipment	343,221,515	304,183,504
Less accumulated amortization – capital maintenance	24,329,783	19,422,383
Total utility plant	<u>817,013,584</u>	<u>849,709,803</u>
Other property and investments – at cost or stated value:		
Investments in associated organizations and special funds	6,347,905	5,869,673
Plant held for future use	1,249,124	1,249,124
Other property	14,931,899	37,473,281
Total other property and investments	<u>22,528,928</u>	<u>44,592,078</u>
Current assets:		
Cash and cash equivalents	192,228,112	139,660,084
Accounts receivable	31,124,410	28,952,161
Prepaid capital maintenance	28,556,871	23,272,673
Prepaid expenses and other current assets	58,554,826	18,571,288
Total current assets	<u>310,464,219</u>	<u>210,456,206</u>
Other assets:		
Deferred charges	1,936,251	2,660,969
Other charges	1,086,528	1,537,468
Total other assets	<u>3,022,779</u>	<u>4,198,437</u>
Total assets	<u>\$ 1,153,029,510</u>	<u>1,108,956,524</u>
Members' Equity and Liabilities		
Members' equity:		
Patronage capital	\$ 448,356,647	442,612,986
Contributed capital	10,397,367	10,879,579
Total members' equity	<u>458,754,014</u>	<u>453,492,565</u>
Long-term debt:		
Mortgage notes less current maturities	539,267,284	562,566,733
Current liabilities:		
Current maturities of long-term debt	24,450,800	23,440,632
Line of credit	3,916,854	149,724
Accounts payable	15,685,903	22,699,746
Other accrued expenses	41,202,592	41,153,687
Total current liabilities	<u>85,256,149</u>	<u>87,443,789</u>
Deferred credits:		
Asset retirement obligation	4,116,624	3,945,015
Other deferred credits	1,430,940	1,508,422
Regulatory liabilities	64,204,499	—
Total deferred credits	<u>69,752,063</u>	<u>5,453,437</u>
Total members' equity and liabilities	<u>\$ 1,153,029,510</u>	<u>1,108,956,524</u>

See accompanying notes to consolidated financial statements.

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Consolidated Statements of Income
Years ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:			
Wholesale power sales	\$ 386,219,388	452,679,833	386,600,271
Other operating revenues	<u>14,372,023</u>	<u>11,545,119</u>	<u>11,036,374</u>
Total operating revenues	<u>400,591,411</u>	<u>464,224,952</u>	<u>397,636,645</u>
Operating expenses:			
Purchased power	77,500,938	113,527,058	98,226,554
Fuel expense	56,172,352	82,109,504	65,554,632
Transmission expense	74,068,459	70,406,233	64,263,404
Other power supply expense	1,992,796	1,469,870	883,917
Plant operations and maintenance	39,043,311	28,645,964	24,017,982
Other operating expense	15,370,218	14,194,602	8,810,303
Administrative and general	32,008,759	28,702,738	31,914,404
Depreciation and amortization	46,921,730	45,926,443	44,045,970
Taxes other than income taxes	<u>8,121,419</u>	<u>9,855,429</u>	<u>9,824,918</u>
Total operating expenses	<u>351,199,982</u>	<u>394,837,841</u>	<u>347,542,084</u>
Operating margins – before fixed charges	<u>49,391,429</u>	<u>69,387,111</u>	<u>50,094,561</u>
Fixed charges:			
Short-term interest	706,929	1,069,781	1,306,386
Interest on long-term debt	26,094,685	26,946,163	27,578,730
Amortization of debt issuance costs	<u>139,379</u>	<u>139,379</u>	<u>139,379</u>
Total fixed charges	<u>26,940,993</u>	<u>28,155,323</u>	<u>29,024,495</u>
Operating margins – after fixed charges	<u>22,450,436</u>	<u>41,231,788</u>	<u>21,070,066</u>
Nonoperating margins:			
Interest and capital credit income	3,858,361	2,963,449	1,944,422
Asset impairment	—	—	(4,000,000)
Gain on disposition of property	8,250	—	—
Other expense	<u>(955,598)</u>	<u>(1,061,115)</u>	<u>(1,443,002)</u>
Total nonoperating margins	<u>2,911,013</u>	<u>1,902,334</u>	<u>(3,498,580)</u>
Net margins	<u>\$ 25,361,449</u>	<u>43,134,122</u>	<u>17,571,486</u>

See accompanying notes to consolidated financial statements.

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Consolidated Statements of Changes in Members' Equity
Years ended December 31, 2019, 2018 and 2017

	<u>Patronage Capital</u>	<u>Contributed Capital</u>	<u>Total</u>
Balance, December 31, 2016	\$ 406,424,905	11,562,052	417,986,957
Net Margins – 2017	17,571,486	—	17,571,486
Patronage/Contributed Capital Retirement	<u>(12,154,234)</u>	<u>(345,766)</u>	<u>(12,500,000)</u>
Balance, December 31, 2017	411,842,157	11,216,286	423,058,443
Net Margins – 2018	43,134,122	—	43,134,122
Patronage/Contributed Capital Retirement	<u>(12,363,293)</u>	<u>(336,707)</u>	<u>(12,700,000)</u>
Balance, December 31, 2018	442,612,986	10,879,579	453,492,565
Net Margins – 2019	25,361,449	—	25,361,449
Patronage/Contributed Capital Retirement	<u>(19,617,788)</u>	<u>(482,212)</u>	<u>(20,100,000)</u>
Balance, December 31, 2019	<u>\$ 448,356,647</u>	<u>10,397,367</u>	<u>458,754,014</u>

See accompanying notes to consolidated financial statements.

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Net margins	\$ 25,361,449	43,134,122	17,571,486
Adjustments to reconcile net margins to net cash provided by operating activities:			
Depreciation and amortization	47,565,486	46,795,334	44,878,159
Loss (gain) on disposition of property and other write-offs	(86,569)	784,444	464,325
Asset impairment	—	—	4,000,000
Capital credits	(954,675)	(1,042,403)	(1,040,401)
Changes in assets and liabilities:			
Deferred charges	724,718	(310,457)	685,777
Other charges	450,940	2,478,583	(322,915)
Deferred credits	64,298,626	257,841	890,558
Accounts receivable	(2,172,249)	2,730,643	(55,980)
Prepayments and other current assets	(24,897,758)	(5,377,739)	(7,517,744)
Payables and other accrued expenses	(6,964,938)	6,509,730	1,190,895
Net cash provided by operating activities	<u>103,325,030</u>	<u>95,960,098</u>	<u>60,744,160</u>
Cash flows from investing activities:			
Additions to utility plant	(11,745,812)	(5,504,961)	(5,380,878)
Proceeds from sale of assets	—	—	13,223
Additions to other property and plant held for future use	(726,104)	(122,700)	(631,580)
Investment in other and short-term investment securities	—	—	(37,776,664)
Maturity of other and short-term investment securities	—	—	60,558,546
Investments in associated organizations and other	476,444	634,615	576,379
Net cash (used in) provided by investing activities	<u>(11,995,472)</u>	<u>(4,993,046)</u>	<u>17,359,026</u>
Cash flows from financing activities:			
Retirement of patronage and contributed capital	(20,100,000)	(12,700,000)	(12,500,000)
Payments on long-term debt	(23,589,322)	(22,563,380)	(21,438,671)
Advance on long-term debt – special facilities	1,160,662	4,747,965	11,339,479
Borrowings – line of credit	178,803,973	320,605,037	401,297,364
Repayments – line of credit	(175,036,843)	(333,985,760)	(430,120,745)
Net cash used in financing activities	<u>(38,761,530)</u>	<u>(43,896,138)</u>	<u>(51,422,573)</u>
Increase in cash and cash equivalents	52,568,028	47,070,914	26,680,613
Cash and cash equivalents – beginning of year	139,660,084	92,589,170	65,908,557
Cash and cash equivalents – end of year	<u>\$ 192,228,112</u>	<u>139,660,084</u>	<u>92,589,170</u>
Supplemental disclosures:			
Interest paid during the year	\$ 26,369,977	27,874,745	29,153,107

Noncash investing and financing transactions:

In 2019, Golden Spread had three significant noncash transactions: the transfer of \$1,460,041 from inventory to utility plant, transfer of prepaid capital maintenance to capital maintenance in the amount of \$669,982 to account for 2019 maintenance activities, and the transfer of \$22,500,000 of generation equipment from other property to inventory.

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

In 2018, notes payable in the amount of \$379,532 were refinanced to long-term debt.

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

In 2017, notes payable in the amount of \$11,339,479 were refinanced to long-term debt.

See accompanying notes to consolidated financial statements.

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(1) Organization and Operations

Golden Spread is a consumer-owned public utility, organized in 1984 to provide low cost, reliable electric service for our rural distribution cooperative Members. The consolidated balance sheets include the accounts of Golden Spread Electric Cooperative, Inc. (Golden Spread) and its wholly owned operating subsidiaries, Golden Spread Panhandle Wind Ranch, LLC (GSPWR) and GSEC Properties, LLC (GSEC Properties), at December 31, 2019 and 2018. The consolidated statements of income, changes in Members' equity, and cash flows for 2019, 2018, and 2017 include the accounts of Golden Spread and its wholly owned operating subsidiaries, GSPWR and GSEC Properties. Another subsidiary, Mid-Tex Generation and Transmission Electric Cooperative, Inc. (Mid-Tex) has no operations at this time. The consolidated entity is collectively referred to as "Golden Spread." Golden Spread's headquarters are located in Amarillo, Texas.

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

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

(2) Summary of Significant Accounting Policies

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

(a) Principles of Consolidation

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

(b) Operating Revenues

Under the Golden Spread tariff for sales to its Members, Golden Spread bills its Members monthly based on budgeted costs and metered usage. The tariff provides that there will be a reconciliation of actual costs incurred to the amounts billed. Amounts billed to Members in excess of or less than recoverable costs under rate tariffs are accrued as an addition or reduction of revenues and as a current asset or current liability to the Members on the consolidated balance sheet.

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

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

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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

In 2019, Golden Spread implemented Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. See note (14).

(c) Utility Plant

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

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

Production plant	15–30 Years
Transmission and distribution plant	6–36 Years
Gas interconnections	15 Years
General plant	3–10 Years

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

AFUDC represents the cost of interest capitalized during the construction period. AFUDC was zero in 2019, 2018 and 2017.

(e) Debt Issuance Costs

Debt issuance costs are amortized using the effective-interest method over the life of the underlying debt. Debt issuance cost, net of amortization, of \$1.7 million and \$1.9 million for 2019 and 2018, respectively, is presented as a reduction of the carrying amount of long-term debt.

(f) Cash and Cash Equivalents

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

(g) Inventory

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

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(h) Other Property

At December 31, 2019 and 2018, other property includes land, water rights, and a seven-story office building in which Golden Spread's headquarters are located.

(i) Regulatory Assets and Liabilities

Golden Spread is subject to the accounting requirements related to regulated operations. In accordance with these accounting requirements, some revenues have been deferred at the discretion of our Board, which has budgetary and rate-setting authority, if it is probable that these amounts will be refunded or recovered through future rates. Regulatory assets are costs we expect to recover from our Members based on rates approved by our Board in accordance with our rate policy. Regulatory liabilities represent probable future reductions in rates associated with amounts that are expected to be refunded to our Members based on rates approved by our Board in accordance with our rate policy. We recognize regulatory assets as expenses and regulatory liabilities as operating revenues, other income, or a reduction in expense concurrent with their recovery in rates.

(j) Concentrations of Credit Risk

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

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

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

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

(l) Income Taxes

Golden Spread is a cooperative corporation that is tax exempt under Internal Revenue Code Section 501(c)(12) in years where 85% of its gross income (as defined) is derived from sales to Members. For the years ended December 31, 2018 and 2017, the 85% test was met. Golden Spread did not meet this test for the year ended December 31, 2019 and was required to file as a taxable cooperative.

Golden Spread's wholly owned subsidiary, GSPWR is taxable as a C corporation under the Internal Revenue Code. GSEC Properties is a single-member LLC and is a disregarded entity of Golden Spread for income tax purposes.

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Golden Spread has adopted the “uncertain tax positions” provisions of GAAP. The primary tax position of Golden Spread is its filing status as a tax-exempt entity based on the annual 85% of Member income test discussed above. Golden Spread has determined that it is more likely than not that this tax position will be sustained, in years where the revenue requirements are met, 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. Golden Spread did not owe income taxes for the year ended December 31, 2019 as the taxable cooperative reported utility revenues as patronage sourced income. If off-system sales were treated as non-patronage, a taxable loss would be reported also resulting in no tax due. For the year ended December 31, 2018 Golden Spread was tax exempt.

Since Golden Spread is required to file as a taxable corporation operating on a cooperative basis in 2019, it will file a consolidated tax return with its wholly owned subsidiaries. In years where Golden Spread is recognized as a tax-exempt cooperative, Golden Spread and each of its current or former wholly owned subsidiaries, except GSEC Properties (whose income, as a disregarded 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 2016.

(m) Fair Value Measurements

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

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

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

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

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(3) Asset Impairment

Golden Spread purchased a total of four combustion turbines in 2013 and 2014. Three of these turbines have been placed in service as Elk Station Units 1, 2, and 3 at the Antelope Elk Energy Center. In late 2016, Golden Spread determined that there was no longer a definitive plan to put the fourth combustion turbine in service; therefore, this turbine will no longer be classified as plant held for future use. Due to this change in classification, an impairment analysis was conducted at the end of 2017 and 2016. Golden Spread determined the fair value of the turbine based on historical sales data for similar assets (Level 3 observation). Consequently, Golden Spread recorded a pretax impairment loss of \$4.0 million on the consolidated statement of income in 2017. Golden Spread evaluated and determined that additional impairment was not considered necessary in 2019 and 2018 due to the ability to use the turbine as spare parts during future maintenance and recover the cost through rates. In 2019, Golden Spread made the decision to treat the turbine as spare parts and moved from other property to inventory.

(4) Utility Plant

The components of utility plant are summarized as follows:

	December 31	
	2019	2018
Plant in service:		
Land	\$ 2,826,034	2,826,034
Production plant	974,265,108	970,650,250
Transmission and distribution plant	146,688,731	141,238,347
General plant	26,191,729	25,738,149
Total electric plant in service	1,149,971,602	1,140,452,780
Capital maintenance	31,349,252	31,501,386
Construction work in progress	3,244,028	1,361,524
Total electric plant	\$ 1,184,564,882	1,173,315,690

At December 31, 2019 and 2018, construction work in progress consisted primarily of construction expenditures related to production, transmission, and distribution plant.

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

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

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(5) Cash and Cash Equivalents

Cash and cash equivalents are summarized as follows:

	December 31	
	2019	2018
Cash	\$ 4,262,975	8,392,868
Commercial Paper and Certificate of Deposit	15,232,104	27,674,041
CFC Select Notes	172,161,727	102,175,504
CFC Daily Fund Investment	571,306	1,417,671
Total cash and cash equivalents	\$ 192,228,112	139,660,084

Cash and cash equivalents are recorded at cost, which approximates fair value. The commercial paper and certificate of deposit matured by January 25, 2020 and had interest rates ranging from 1.49% to 1.58%. The CFC Select Notes matured by February 25, 2020 and had interest rates ranging from 1.66% to 1.87%. The CFC daily fund investments earn interest at a variable interest rate (1.4% at December 31, 2019).

(6) Long-Term Service and Parts Agreement

Golden Spread has a long-term service and parts supply and parts repair agreement (LTSPA) covering certain Mustang Station Units to provide service and labor for major maintenance of generation equipment, certain parts and refurbishment services, other spare parts at discount prices, and other factory repair services. The LTSPA has a base fee for each gas turbine, with provisions for index adjustments and operational adjustments. Golden Spread made payments of \$6.0 million, \$5.4 million and \$4.8 million in 2019, 2018 and 2017, 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 is 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 capital maintenance account (\$28.6 million and \$23.3 million at December 31, 2019 and 2018, respectively) until the maintenance services have been performed. Once the maintenance services have been performed, the associated cost is transferred to capital maintenance and amortized over the maintenance interval for the associated type of maintenance.

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

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

(7) Deferred and Other Charges

Deferred and other charges consist of regulatory assets as well as other assets. Regulatory assets consist of \$1.5 million of deferred expenses associated with the Special Facility Assets (SFA), which are being amortized, by participating Member system, over the average remaining life of those assets. In addition, \$0.1 million of unamortized prior service cost related to the Executive Benefit Restoration Plan is being amortized over the average future working lifetime of plan participants, see note (15).

Deferred and Other Charges consist of the following:

	December 31	
	2019	2018
Deferred charges:		
Regulatory assets	\$ 1,526,353	1,677,382
Preliminary survey and investigation	112,445	533,827
Other deferred charges	297,453	449,760
Total deferred charges	\$ 1,936,251	2,660,969
Other charges:		
Prepaid pension	\$ 1,086,528	1,448,704
Supplemental pension	—	88,764
Total other charges	\$ 1,086,528	1,537,468

(8) Derivative Instruments and Hedging

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

In addition, Golden Spread periodically purchases Financial Transmission Rights (FTR) to manage future cash flows from congestion in energy markets. FTRs are purchased from ERCOT or SPP, and the value is derived from congestion revenues on a transmission path. These derivatives do not meet the normal purchases and normal sales exception and are recorded at fair value in the prepaid expenses and other current assets section of the balance sheet. Any gains or losses are recorded as an adjustment to purchased power expense and accrued as over or under recovery of revenue as allowed under Golden Spread's formula rate. In 2019, Golden Spread was granted regulatory approval to defer gains from the current year to use for rate stabilization in future periods.

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

**GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Changes in Level 3 FTR derivatives are as follows:

	December 31	
	2019	2018
Balance at January 1	\$ 2,097,142	2,139,944
Purchases	12,570,045	3,560,349
Settlements	(5,195,042)	(3,891,860)
Net gains recorded as Regulatory Liability	1,500,355	—
Net (losses) gains recognized as Purchased Power Expense	(517,002)	288,709
Balance at December 31	<u>\$ 10,455,498</u>	<u>2,097,142</u>

CRR and TCR (congestive revenue rights) MWh for 2019 and 2018 were:

	December 31	
	2019	2018
FTR Volume (MWh)	1,392,331	868,885

(9) Long-Term Debt

Long-term debt is summarized as follows:

	December 31	
	2019	2018
5.75% Senior Secured Notes, due through 2025	\$ 21,723,600	24,995,900
5.00% Senior Secured Note, due through 2043	66,931,676	68,396,724
4.95% Senior Secured Notes, due through 2041	128,483,914	131,660,511
4.35% Senior Secured Notes, due through 2031	174,734,978	185,626,424
3.93% Senior Secured Note, due through 2045	18,209,646	18,624,259
3.82% Senior Secured Notes, due through 2045	36,483,799	37,317,714
3.75% Senior Secured Note, due through 2045	36,455,745	37,295,582
3.50% – 7.60% Fixed Rate Mortgage Notes, due through 2050	78,554,270	82,477,398
Variable Rate Mortgage Notes, due through 2047	3,863,957	1,475,733
Debt Issuance Costs	(1,723,501)	(1,862,880)
	563,718,084	586,007,365
Less Current Maturities	24,450,800	23,440,632
	<u>\$ 539,267,284</u>	<u>562,566,733</u>

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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 May 18, 2015. On May 15, 2015, Golden Spread locked in a rate of 3.93% for \$20.0 million with CoBank. This loan closed on June 10, 2015. For these three transactions, Golden Spread used \$110.0 million of its bondable additions. These proceeds were used for general corporate purposes, including, but not limited to, refinancing short-term liquidity. All senior secured notes are fully amortizing over the term of the loans.

The other senior secured notes are first mortgage obligations issued by Golden Spread in August 2011 and May 2005, through private placement offerings and in July 2013 with CFC. The senior secured notes are secured under a Trust Indenture, amended and restated as of June 29, 2012, as supplemented (the Trust Indenture). Pursuant to the Trust Indenture, Golden Spread has created a first lien on certain tangible and intangible assets in favor of the indenture trustee to secure debt issued under the Trust Indenture on a pro rata basis. Golden Spread's subsidiary issues notes under a trust indenture substantially identical to the Trust Indenture. These notes constitute "Qualifying Securities" under the Trust Indenture and are assets of Golden Spread. These Qualifying Securities may be "Designated Qualifying Securities" or "Undesignated Qualifying Securities" under the Trust Indenture. In the case of Designated Qualifying Securities, Golden Spread issues debt under the Trust Indenture on the basis of the Designated Qualifying Securities, and the Designated Qualifying Securities have the same terms as the Golden Spread debt. At December 31, 2019, Designated Qualifying Securities of \$55.9 million related to GSPWR remained under the Trust Indenture.

Assets held under the Trust Indenture totaled \$937.6 million at December 31, 2019, and includes land, production plant, plant-related general plant, plant held for future use, and Designated Qualifying Securities of GSPWR (eliminated in consolidation), as reported on the consolidated balance sheets. The Trust Indenture requires Golden Spread to establish and collect rates for the use or the sale of the output, capacity, or service of its system that, together with other revenues available to Golden Spread, are reasonably expected to yield a Margins for Interest Ratio of at least 1.10 for each fiscal year. The Trust Indenture also contains restrictions on distributions by Golden Spread to its Members. The supplemental indenture under which the 2005 senior secured notes were issued contains certain other covenants. These covenants include the maintenance of (i) patronage capital and contributed capital in an amount of not less than \$50.0 million and (ii) a debt service coverage ratio of not less than 1.25. At December 31, 2019 and 2018, Golden Spread had met all requirements of the Trust Indenture.

At December 31, 2019, Golden Spread had sufficient assets, including Qualifying Securities under the indenture to issue approximately \$237.3 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 \$83.1 million and \$80.7 million at December 31, 2019 and 2018, respectively) and the revenues recoverable through the special facilities charges associated with the transmission and distribution assets. These assets are excluded from the Trust Indenture, and the variable and fixed rate mortgage notes are not secured under the Trust Indenture. GSEC Properties assets are also excluded from the Trust Indenture.

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As of December 31, 2019, annual maturities of long-term debt for the next five years are as follows:

2020	\$ 24,450,800
2021	25,647,945
2022	26,782,142
2023	27,268,766
2024	28,252,924

(10) Short-Term Credit Facilities

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

	December 31	
	2019	2018
Borrowings under Lines of Credit at Weighted Average Rates of 3.39% and 2.89% at December 31, 2019 and 2018, respectively	\$ 3,916,854	149,724

In May 2017, Golden Spread closed on a four-year line-of-credit agreement with CFC for \$80 million. This agreement bears interest at LIBOR plus a credit spread for the four-year term. This line of credit is also available to provide letters of credit. In May 2017, a \$10.0 million letter of credit was issued under this arrangement. There were no borrowings outstanding under this line of credit at December 31, 2019 or 2018.

In June 2017, Golden Spread closed on a three-year \$75 million, unsecured line of credit with Bank of America. This agreement bears interest at LIBOR plus a credit spread for the three-year term. There were no borrowings outstanding under this line of credit at December 31, 2019 or 2018.

In May 2017, Golden Spread closed on a new five-year \$50 million line of credit with CoBank. Golden Spread utilized the CoBank facility to post a \$35 million letter of credit with ERCOT for the increased credit requirements associated with ERCOT market operations. This agreement bears interest at LIBOR plus a credit spread for the five-year term. There were no borrowings outstanding under this line of credit at December 31, 2019 or 2018.

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 2020. Borrowings under this line of credit at December 31, 2019 and 2018, were \$3.9 million and \$0.1 million, respectively.

(11) Deferred Credits

Deferred credits include asset retirement obligations (see note 12), regulatory and other liabilities. Regulatory liabilities of \$62.7 million represent the deferral of the recognition of non-member electric sales revenues. These deferred non-member electric sales revenues will be refunded to Members through

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reduced rates when recognized in future periods. Regulatory liabilities also include an unrealized gain of \$1.5 million on market transactions not settled at December 31, 2019, see note (8).

Deferred credits for the years ended December 31, 2019 and 2018, are as follows:

	December 31	
	2019	2018
Asset retirement obligation	\$ 4,116,624	3,945,015
Regulatory liabilities	64,204,499	—
Other deferred credits	1,430,940	1,508,422
Ending balance	\$ 69,752,063	5,453,437

(12) Asset Retirement Obligation

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

GSPWR adopted this statement effective with commercial operation date of the wind turbines. GSPWR's asset retirement obligation is associated with the obligation to restore the land-leased site to a "green field" condition, as stated in its lease agreement. The net asset retirement obligation, which is reported in deferred credits in the accompanying 2019 and 2018 consolidated balance sheets, and the changes in the net liability for the years ended December 31, 2019 and 2018, are as follows:

	December 31	
	2019	2018
Beginning balance	\$ 3,945,015	3,780,561
Accretion expense	171,609	164,454
Ending balance	\$ 4,116,624	3,945,015

(13) Income Taxes

At December 31, 2019, GSEC had cumulative financial income of \$25.3 million and cumulative federal taxable income of \$0. The difference in financial and taxable income is related to temporary differences in depreciation and deferred revenue. The deferred revenue is patronage sourced and will not be taxable income in future years; therefore, no deferred asset or liability has been recognized. If off-system sales were treated as non-patronage the estimated deferred tax assets for 2019, net of deferred tax liabilities, would be \$13.0 million computed using the corporate statutory rate of 21.0% offset 100% by a valuation allowance.

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At December 31, 2019 and 2018, GSPWR had a cumulative financial income of \$1.7 million and \$1.1 million, respectively, and a cumulative federal tax loss carryforward of \$49.5 million and \$44.4 million, respectively, (due partially to a permanent difference related to Treasury Section 1603 50.0% basis increase, but also to temporary differences due to tax depreciation). These tax loss carryforwards expire between 2031 and 2038. The current tax expense for 2019 and 2018 was \$0. The deferred income tax expense for 2019 and 2018 was \$0 and \$1.3 million, respectively, using the corporate statutory rate of 21.0%. The related deferred tax assets for 2019 and 2018 of \$11.3 million and \$9.3 million, respectively, computed using the corporate statutory rate of 21.0%, have been fully reduced by a valuation allowance for the amount net of other deferred tax liabilities related to depreciation for 2019 of \$7.1 million and for 2018 of \$4.9 million, based on expected net realizable value. Therefore, no deferred tax asset or liability has been recognized.

(14) Revenue

In May 2014, the FASB issued Accounting Standards Update 2014-09 *Revenue from Contracts with Customers (ASC 606)*. This update requires entities to recognize revenue when the transfer of promised goods or services to customers occurs in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Golden Spread has not identified any material impact to revenue recognition as a result of this update. Golden Spread adopted ASC 606 effective January 1, 2019, using the modified retrospective approach. There was no material impact to the recognition of revenue from the sale of power to member distribution cooperatives or non-members, and there has been no cumulative effect adjustment recognized.

Golden Spread has identified four revenue streams: Member Power Sales, Non-Member Power Sales, Transmission Revenue and Service Agreement Revenue. Approximate 2019 revenues and percentage of revenues for each identified stream is:

	December 31		
	2019	2018	2017
Member Power Sales	\$ 369,114,423	406,058,926	372,222,079
Non-Member Power Sales	91,555,871	57,911,291	25,276,154
Deferred Non-Member Sales	(62,704,144)	—	—
Transmission Revenue	2,406,730	150,958	119,305
Service Agreement Revenue	208,631	103,777	19,107
Other	9,900	—	—
	\$ 400,591,411	464,224,952	397,636,645

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Revenues for Golden Spread are derived primarily from the sale of electric power to our Members pursuant to long-term wholesale electric service contracts or "Wholesale Power Contracts" (WPC's). All contracts with Members meet the criteria to be classified as revenue from contracts with customers. Golden Spread has 16 Member contracts to supply power requirements (energy and demand). These contracts are substantially identical, as such GSEC does not incur significant contract acquisition costs. Pursuant to these contracts, GSEC is obligated to sell and deliver all power requirements to the Members and the Members are obligated to purchase and receive all electric power and energy required for operations from GSEC. The revenues from these wholesale power contracts constituted at least 92% of total revenues for the past three years. GSEC bills the member distribution cooperatives monthly, and each member distribution cooperative is required to pay monthly for power furnished under its wholesale power contract. Control of electricity is transferred as energy is delivered or transmitted to the Member, and the member distribution cooperatives simultaneously receive and consume the benefits of the electricity. Energy consumption and demand is read monthly for billing purposes. Revenue is recognized, and members are invoiced based on consumption reported. 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. Contract receivables at December 31, 2019 and 2018 were \$31.1 million and \$29.0 million, respectively. At December 31, 2019 and 2018, contract liabilities representing amounts over collected from Members included in other accrued expenses totaled \$14.9 million and \$17.2 million, respectively.

Golden Spread also sells excess energy to non-members at prevailing market prices as control is transferred.

(15) Pension Benefits

Golden Spread provides pension benefits for substantially all its employees through the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program (RS Plan). The RS Plan is a defined-benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145, and the Plan Number is 333. Golden Spread makes contributions to the RS Plan as required by the plan agreement. This multiemployer plan is available to all member cooperatives of NRECA. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers. Golden Spread's contributions to the RS Plan in 2019 and in 2018 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 was \$2.5 million in 2019, 2018, and 2017. There have been no significant changes that affected the comparability of total employer contributions for 2019, 2018, or 2017. 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, 2019 and 2018 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.

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

Golden Spread has a NRECA deferred compensation plan, Pension Restoration Plan (PR Plan), to provide supplemental retirement benefits for certain highly compensated employees. At December 31, 2019 and 2018, the liability associated with the deferred compensation plan was \$0 and \$80,000, respectively. Such amounts are included in deferred credits in the accompanying consolidated financial statements.

In addition, under the NRECA-sponsored deferred compensation plan, Golden Spread has been required to make contributions to NRECA to offset the ultimate funding of the liability by Golden Spread. Investments of \$0 and \$89,000 are included in other charges in the accompanying consolidated financial statements at December 31, 2019 and 2018, respectively. Upon the vesting of any employees who are participants in the plan, Golden Spread will fully fund any liability to the employee, and NRECA will provide Golden Spread with a credit of an equal amount, which will be used to reduce Golden Spread's required future contributions to the defined-benefit pension plan discussed in the first paragraph of this section. This plan was closed to new participants in 2014.

Golden Spread also has a defined-contribution plan (the Saving Plan), which was established under Code Section 401(k) of the Internal Revenue Code. Under the Savings Plan, Golden Spread matches employee contributions up to a maximum of 4.0% of each participating employee's salary. Employer contributions to the plan for the years ended December 31, 2019, 2018, and 2017 were \$0.4 million for each year.

Golden Spread, in 2018, added a new unfunded nonqualified deferred compensation plan, Executive Benefit Restoration Plan (the EBR Plan), for certain highly compensated employees that were not in the PR Plan. The EBR Plan provides benefits for compensation that is in excess of the limits applicable to the RS Plan. Distributions from this plan are funded directly by Golden Spread upon vesting of eligible employees. The liability associated with the EBR Plan was \$0.1 million and \$0.2 million for the years ended December 31, 2019 and 2018, respectively. Such amounts are included in deferred credits in the accompanying consolidated financial statements. Periodic benefit costs of \$0.0 million and \$0.1 million were recorded in 2019 and 2018, respectively.

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(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, 2019, 2018, and 2017, sales to South Plains Electric Cooperative, Inc. represented 14% to 15% of sales to Members (11% to 13% of total sales) and sales to Deaf Smith Electric Cooperative, Inc. represented 10% to 11% of sales to Members (8% to 9% of total sales). In the same periods, sales to Lyntegar Electric Cooperative, Inc. represented 10% to 12% of sales to Members (8% to 9% of total sales) and sales to Tri-County Electric Cooperative, Inc. represented 9% to 12% of sales to Members (7% to 11% of total sales).

(17) Commitments and Contingencies

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

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

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

Golden Spread is obligated under several capacity agreements with third party suppliers to purchase firm and deliverable capacity. These obligations total approximately 181 MW and run from April 2020-September 2020.

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

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

(18) Leases

Golden Spread has several operating leases as outlined in the table below. In December 2016, Golden Spread entered into a lease to provide data centers. Lease expense for 2019, 2018, and 2017 is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Lubbock Office Space	\$ 118,500	118,500	118,500
Wind Ranch Land Lease – Minimum Rent	840,874	740,874	712,498
Wind Ranch – Production Royalty Payments	169,199	194,775	179,363
Data Centers	257,114	228,413	221,760
Total	<u>\$ 1,385,687</u>	<u>1,282,562</u>	<u>1,232,121</u>

The Lubbock office space lease is from April 1, 2013 through March 31, 2023. Golden Spread's subsidiary, GSPWR, has 34 wind turbines that were installed on land that has nine separate land leases. Upon commencement of commercial operations in September 2011, and the beginning of the first extended lease term, GSPWR is obligated to pay land lease payments comprising minimum rent payments and production royalty payments of 4.0% to 6.0% of production that exceed the minimum rent payments. In December 2016, Golden Spread entered into a lease to provide data centers. The data center leases expired in November 2019 and renewed for 24 and 36 months. The future lease payments are listed below:

	<u>Data centers</u>	<u>Lubbock office</u>	<u>Wind Ranch land lease</u>
2020	\$ 288,227	118,500	846,874
2021	276,777	118,500	846,874
2022	150,827	118,500	846,874
2023	—	29,625	846,874
2024	—	—	846,874

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(19) Other Accrued Expenses

Other accrued expenses at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Accrued taxes	\$ 6,821,883	8,476,326
Accrued interest	6,767,636	7,042,918
Member refunds	14,879,206	17,160,613
Accrued plant operating expenses	7,508,923	4,883,862
Other	<u>5,224,944</u>	<u>3,589,968</u>
Total other accrued expenses	<u>\$ 41,202,592</u>	<u>41,153,687</u>

(20) Subsequent Events

Golden Spread's management has evaluated subsequent events through April 23, 2020, the date at which the consolidated financial statements were available for issue. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. Government and social response to the virus varied by region and industry, affecting sales, supply chains, and business workforces. Golden Spread has evaluated the impact of these issues on the financial statements as of December 31, 2019, including estimates and contingencies, and has determined that no adjustments are necessary to accurately reflect the financial situation of the organization. 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

	2019	2018	2017	2016	2015
CONDENSED CONSOLIDATED INCOME STATEMENT DATA (000)					
Operating Revenues	\$ 400,591	\$ 464,225	\$ 397,637	\$ 408,413	\$ 373,173
Operating Expenses					
Fuel, Purchased Power and Transmission	\$ 207,742	\$ 266,043	\$ 228,046	\$ 249,771	\$ 221,929
Plant Operations and Maintenance	41,667	28,646	24,018	22,696	24,252
Administrative and General	32,009	28,703	31,914	30,645	27,812
Depreciation and Amortization	46,922	45,926	44,046	39,294	33,668
Taxes Other Than Income Taxes	8,121	9,855	9,825	8,537	7,008
Other Operating Expenses	14,739	15,665	9,694	8,580	10,070
Total Operating Expenses	<u>\$ 351,200</u>	<u>\$ 394,838</u>	<u>\$ 347,543</u>	<u>\$ 359,523</u>	<u>\$ 324,739</u>
Operating Margins - Before Fixed Charges	\$ 49,391	\$ 69,387	\$ 50,094	\$ 48,890	\$ 48,434
Fixed Charges	26,941	28,155	29,024	27,046	25,455
Operating Margins - After Fixed Charges	<u>\$ 22,450</u>	<u>\$ 41,232</u>	<u>\$ 21,070</u>	<u>\$ 21,844</u>	<u>\$ 22,979</u>
Nonoperating Margins	2,911	1,902	(3,499)	(11,795)	5,345
Net Margins	<u>\$ 25,361</u>	<u>\$ 43,134</u>	<u>\$ 17,571</u>	<u>\$ 10,049</u>	<u>\$ 28,324</u>
CONDENSED CONSOLIDATED BALANCE SHEET DATA (000)					
Utility Plant, net	\$ 817,014	\$ 849,710	\$ 885,794	\$ 922,391	\$ 892,070
Other Property and Investments	22,529	44,592	44,791	48,370	60,462
Cash, Cash Equivalents and Short-Term Investment Securities	192,228	139,660	92,589	88,709	131,297
Other Current Assets	118,236	70,796	73,919	69,005	68,923
Other Assets	3,023	4,199	6,458	7,110	8,467
Total Assets	<u>\$ 1,153,030</u>	<u>\$ 1,108,957</u>	<u>\$ 1,103,551</u>	<u>\$ 1,135,585</u>	<u>\$ 1,161,219</u>
Total Members' Equity	<u>\$ 458,754</u>	<u>\$ 453,493</u>	<u>\$ 423,058</u>	<u>\$ 417,987</u>	<u>\$ 416,238</u>
Long-Term Debt, excluding current maturities	\$ 539,267	\$ 562,567	\$ 581,339	\$ 593,235	\$ 611,307
Current Liabilities	85,257	87,444	93,219	118,031	127,070
Deferred Credits	69,752	5,453	5,935	6,332	6,604
Total Liabilities	<u>\$ 694,276</u>	<u>\$ 655,464</u>	<u>\$ 680,493</u>	<u>\$ 717,598</u>	<u>\$ 744,981</u>
Total Members' Equity and Liabilities	<u>\$ 1,153,030</u>	<u>\$ 1,108,957</u>	<u>\$ 1,103,551</u>	<u>\$ 1,135,585</u>	<u>\$ 1,161,219</u>
OTHER FINANCIAL AND STATISTICAL DATA					
Energy Sales					
Energy Sales to Members (MWh)	7,509,715	7,753,192	6,262,561	6,490,018	6,291,738
Energy Sales to Nonmembers (MWh) (1)	1,591,128	970,829	957,709	1,418,165	554,860
Total Energy Sales (MWh)	<u>9,100,843</u>	<u>8,724,021</u>	<u>7,220,270</u>	<u>7,908,183</u>	<u>6,846,598</u>
Member Peak Demand (MW)	1,730	1,688	1,518	1,550	1,472
Member System Load Factor (%)	49.52	52.40	47.10	47.68	48.47
Energy Generated (MWh) (2)	5,905,724	4,159,596	3,720,786	3,862,033	1,412,824
Energy Purchased (MWh) (2)	3,277,219	4,642,571	4,088,207	4,410,519	5,575,815
Average Rate to Members (\$/MWh)	\$ 47.59	\$ 50.92	\$ 57.70	\$ 57.62	\$ 61.94
Average Natural Gas Commodity Price (\$/MMBtu)	\$ 1.06	\$ 2.29	\$ 2.72	\$ 2.30	\$ 2.76
Financial Ratios					
Equity/Capitalization (%)	45	44	41	39	38
Debt Service Coverage (DSC) Ratio	1.97	2.32	1.88	1.82	1.91
Debt/Funds Available for Debt Service	5.65	5.00	6.53	8.29	7.29
Days Cash on Hand	221	136	102	93	150

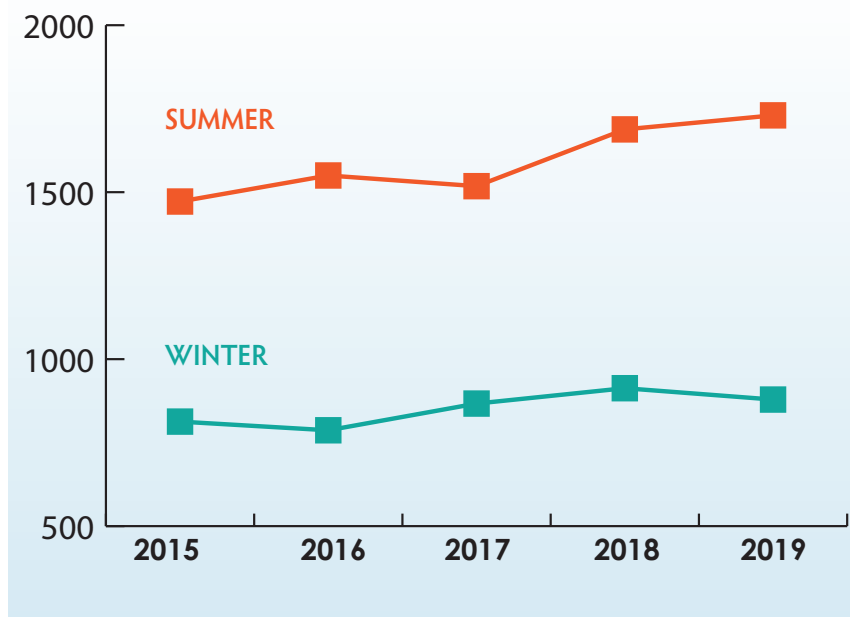
(1) Includes energy and ancillary services sales

(2) Includes ancillary services for Member load

ENERGY AND FINANCIAL CHARTS

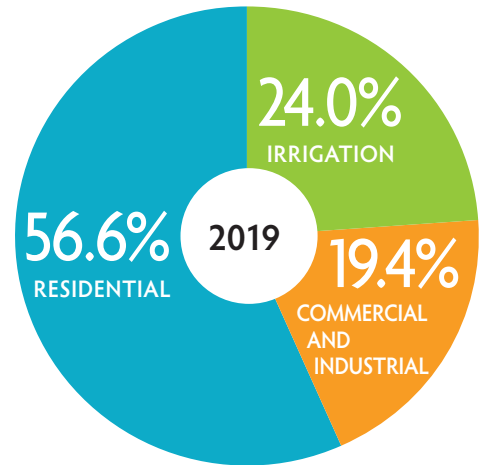
COINCIDENT DEMAND (Megawatts)

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



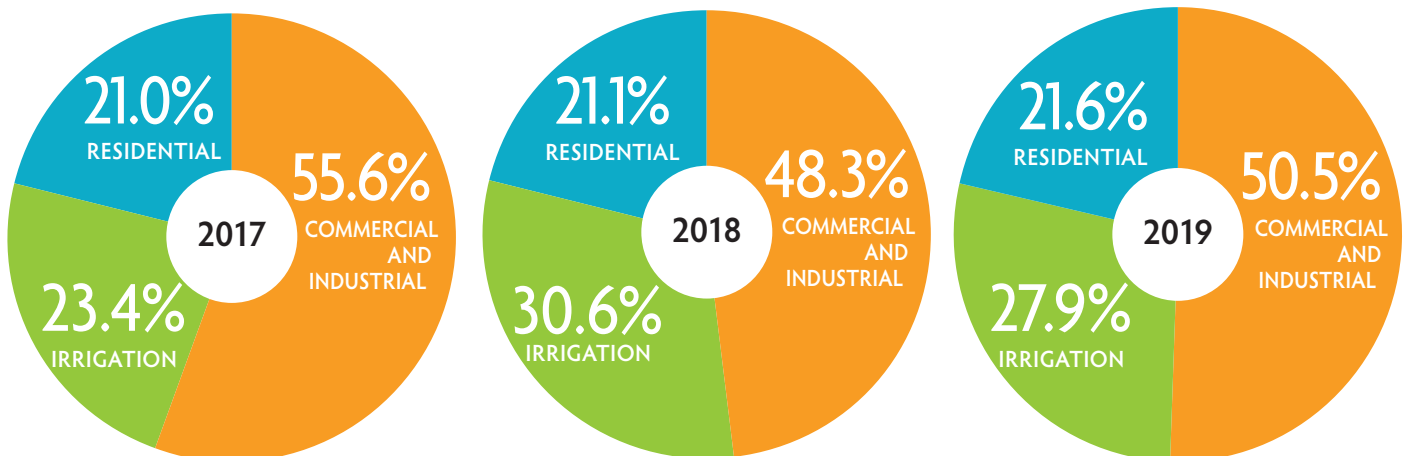
RATE CLASSIFICATION

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



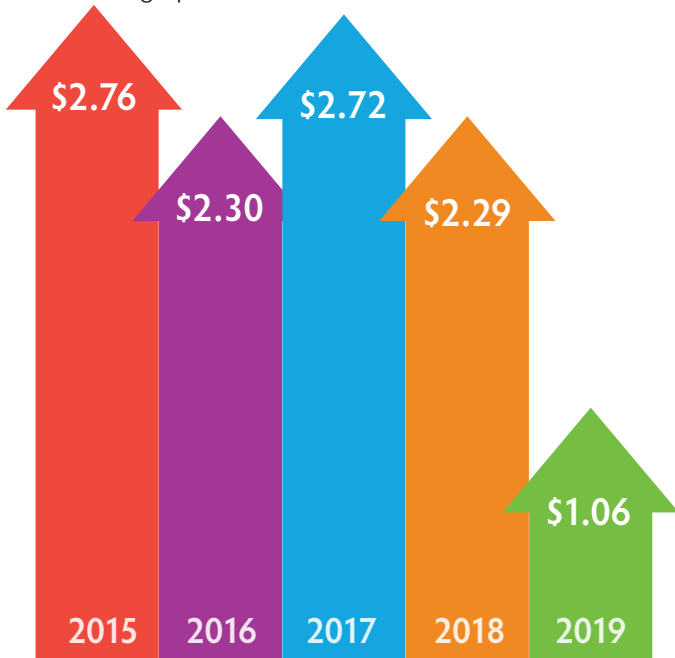
USAGE BY RATE CLASSIFICATION

Weather conditions affect the mix of energy sales by classification – particularly the level of irrigation sales, which generally ranges from 20% to 30% of total sales. The territory had extremely cool and wet conditions in 2017, resulting in lower irrigation sales. Drier conditions for the 2018 and 2019 growing seasons led to stronger irrigation sales.



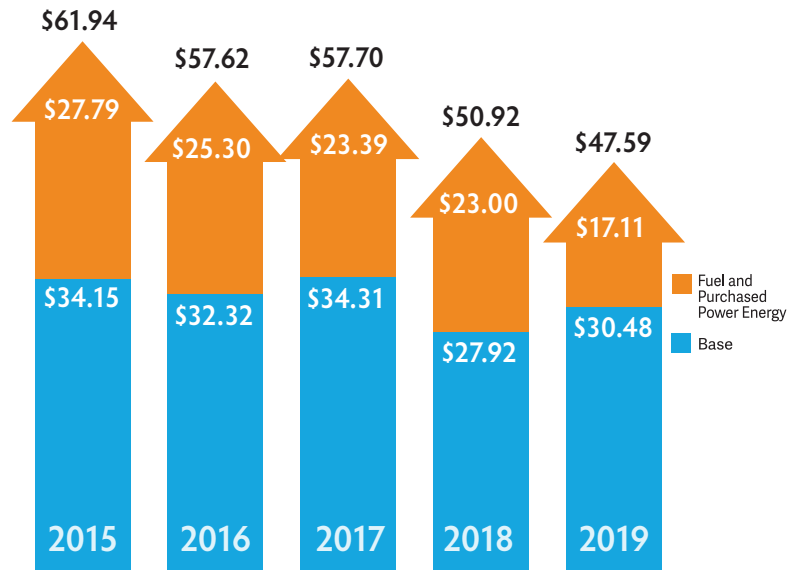
AVERAGE NATURAL GAS COMMODITY PRICE

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

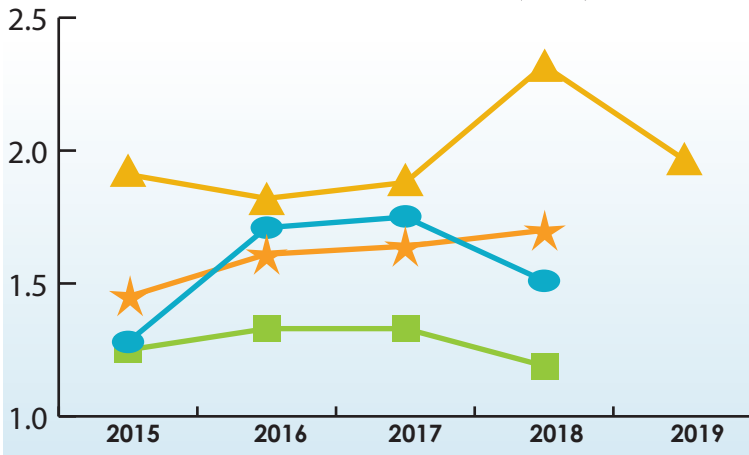


AVERAGE RATE TO MEMBERS (\$/MWh)

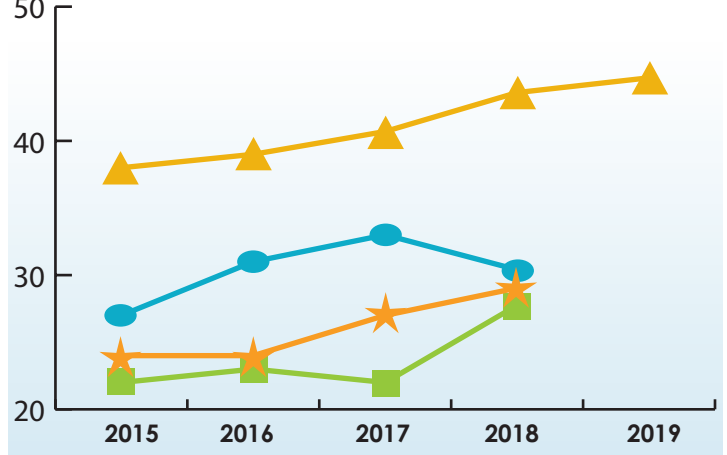
Base rates have ranged from \$27.92/MWh to \$34.31/MWh over the past five years. Fuel and purchased power energy costs ranged from \$17.11/MWh to \$27.79/MWh. For 2015, a FERC-approved regulatory settlement, resulting in a refund of \$7.13/MWh, is not included in rate.



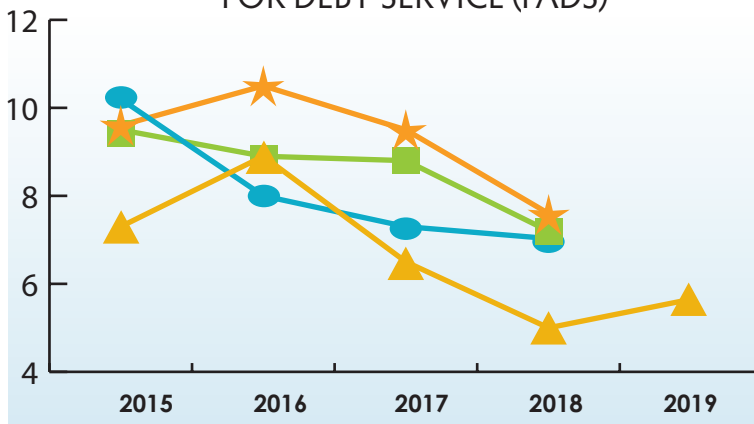
DEBT SERVICE COVERAGE (DSC) RATIO*



EQUITY-TO-CAPITALIZATION (%)*



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



- G&Ts rated A+ and above*
- ★ A rated G&Ts*
- A- rated G&Ts*
- ▲ Golden Spread

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

In July 2019, Fitch upgraded its rating for Golden Spread to AA- with a stable outlook.

*Data provided by Fitch Ratings' U.S. Public Power Peer Studies. Amounts for 2019 were not available at time of printing.

MEMBER COOPERATIVES' INFORMATION

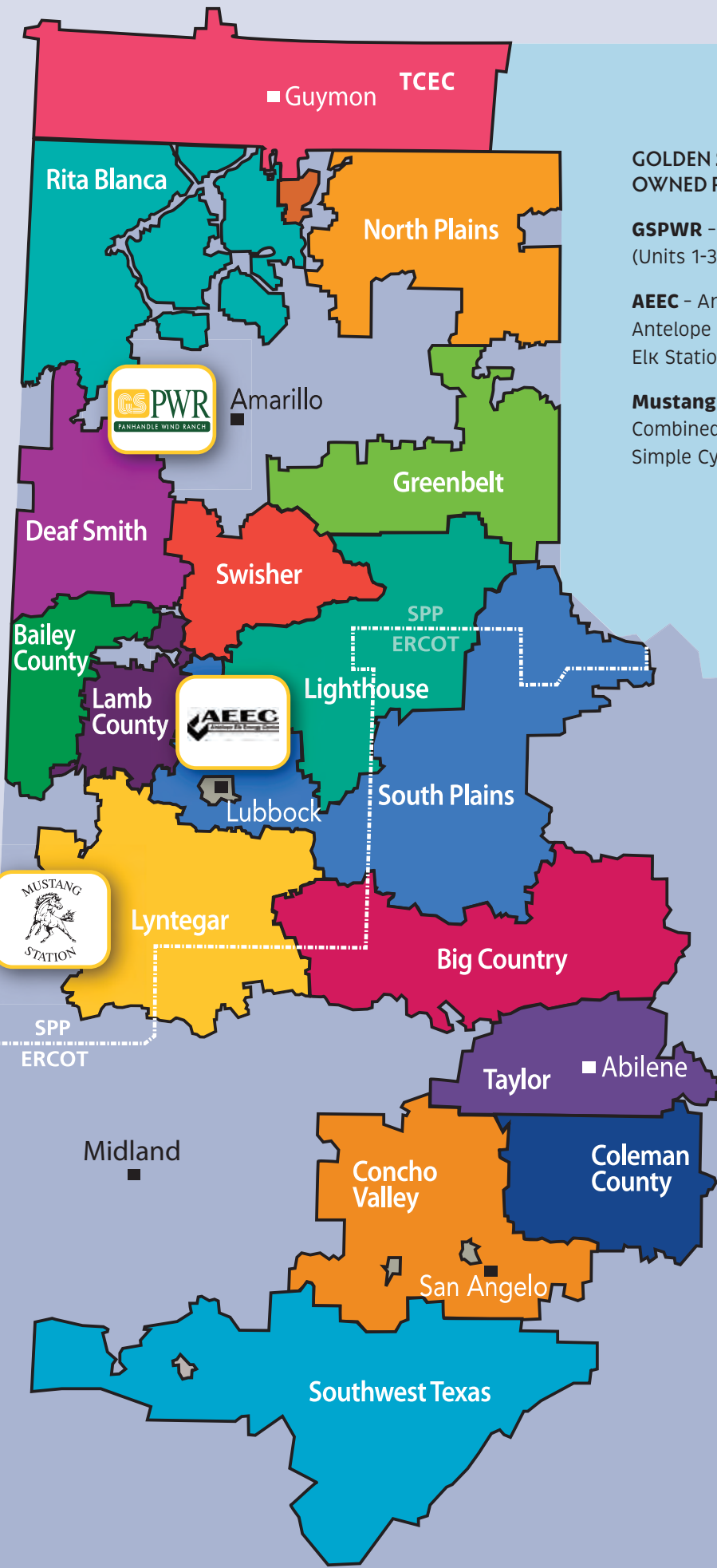
(dollars in thousands)

2019 SUMMARY

	BAILEY COUNTY	BIG COUNTRY	COLEMAN COUNTY	CONCHO VALLEY	DEAF SMITH	GREENBELT
Number of Employees	41	62	34	54	57	34
Total Services in Place	9,851	19,075	12,732	19,274	16,546	7,148
Miles of Line	2,926	5,326	3,783	4,336	4,940	2,582
Peak Demand (kW - NCP)	90,436	66,498	43,341	82,482	192,660	40,177
Sales (MWh)	312,511	265,797	165,029	443,646	691,813	214,440
Net Utility Plant	\$ 55,857	\$ 64,002	\$ 19,118	\$ 79,008	\$ 41,564	\$ 37,300
Assets	\$ 93,868	\$ 93,619	\$ 33,321	\$ 107,871	\$ 121,499	\$ 56,679
Margins Plus Equities	\$ 40,174	\$ 49,780	\$ 22,158	\$ 50,178	\$ 100,505	\$ 26,829
Revenues	\$ 28,941	\$ 30,330	\$ 13,534	\$ 38,915	\$ 48,150	\$ 19,622
Cost of Purchased Power	\$ 16,943	\$ 12,818	\$ 7,807	\$ 21,539	\$ 34,293	\$ 11,630
Interest on Long-Term Debt.	\$ 1,821	\$ 1,538	\$ 380	\$ 2,025	\$ 52	\$ 1,085
Net Margins	\$ 3,232	\$ 4,497	\$ 2,833	\$ 5,930	\$ 11,600	\$ 3,737
DSC	2.76	3.10	4.14	2.63	30.94	3.03
Equity Ratio (%)	42.80	53.17	66.50	46.52	83.00	47.34

	LAMB COUNTY	LIGHTHOUSE	LYNTEGAR	NORTH PLAINS	RITA BLANCA	SOUTH PLAINS
Number of Employees	40	42	112	52	32	157
Total Services in Place	13,309	11,107	26,349	7,430	9,024	74,850
Miles of Line	3,267	4,593	7,014	3,772	3,383	10,090
Peak Demand (kW - NCP)	104,955	102,905	220,089	107,635	145,384	372,640
Sales (MWh)	316,302	239,021	736,543	354,723	587,320	1,625,277
Net Utility Plant	\$ 45,039	\$ 49,315	\$ 221,184	\$ 69,672	\$ 68,133	\$ 261,120
Assets	\$ 89,409	\$ 87,146	\$ 260,749	\$ 102,162	\$ 104,440	\$ 395,292
Margins Plus Equities	\$ 51,171	\$ 50,204	\$ 133,291	\$ 63,857	\$ 82,663	\$ 188,650
Revenues	\$ 27,986	\$ 25,534	\$ 67,609	\$ 31,873	\$ 39,903	\$ 135,045
Cost of Purchased Power	\$ 17,329	\$ 14,920	\$ 38,666	\$ 19,166	\$ 27,999	\$ 90,326
Interest on Long-Term Debt.	\$ 1,330	\$ 1,281	\$ 4,213	\$ 1,269	\$ 382	\$ 6,894
Net Margins	\$ 5,766	\$ 4,324	\$ 14,035	\$ 6,893	\$ 11,808	\$ 22,125
DSC	1.82	3.17	3.12	4.63	11.72	3.41
Equity Ratio (%)	57.23	57.61	51.12	55.70	80.00	47.72

	SOUTHWEST TEXAS	SWISHER	TAYLOR	TCEC	TOTAL
Number of Employees	45	37	86	101	986
Total Services in Place	14,549	9,775	27,368	27,187	305,574
Miles of Line	5,387	3,702	4,995	4,995	75,091
Peak Demand (kW - NCP)	66,279	65,132	113,974	151,479	1,966,066
Sales (MWh)	335,474	170,397	355,319	837,768	7,651,380
Net Utility Plant	\$ 46,936	\$ 33,933	\$ 126,637	\$ 235,210	\$ 1,454,028
Assets	\$ 71,546	\$ 61,795	\$ 167,677	\$ 313,925	\$ 2,160,998
Margins Plus Equities	\$ 51,175	\$ 39,978	\$ 66,501	\$ 84,999	\$ 1,102,113
Revenues	\$ 26,124	\$ 16,698	\$ 45,090	\$ 81,228	\$ 676,582
Cost of Purchased Power	\$ 14,140	\$ 10,203	\$ 21,299	\$ 41,834	\$ 400,912
Interest on Long-Term Debt.	\$ 521	\$ 735	\$ 4,108	\$ 10,957	\$ 38,591
Net Margins	\$ 3,568	\$ 3,135	\$ 1,115	\$ 3,729	\$ 108,327
DSC	4.96	4.72	2.41	1.72	5.52
Equity Ratio (%)	71.00	64.70	39.66	27.08	55.70



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC. OWNED POWER GENERATION FACILITIES

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

AEFC - 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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