

Letter from the General Manager/CEO: Mario A. Romero



As we start another year, I want to take some time to reflect on 2017, and share with you, our member-owners what occurred at your cooperative the last 12 months. Year 2017 was another busy year, filled with accomplishments, change, and as always, new challenges.

Headquarters Building: After moving into the new headquarters building in June 2016, 2017 was the first full-year in our beautiful new home. This building is a great improvement to the Village of Cloudcroft, and more importantly, for the cooperative, its employees and its members. After spending more than a half century in our old office, the employees of OCEC are so thankful to have a beautiful, safe, and functional workplace for decades to come.

Electric Vehicle: A small, but noteworthy addition to the Cloudcroft building was made in September, when OCEC installed the first public Electric Vehicle (EV) charging station in the area. This came on the heels of OCEC's addition of the first affordable, 200-plus mile range EV purchased in the State of New Mexico, an all-electric Chevy Bolt. With a range of 238 miles on one charge, and a retail price of \$37,495 before a \$7,500 federal tax credit, the purchase of the Chevy Bolt not only made economic sense for our fleet, it presented a great opportunity to educate our membership about EV's as a clean, affordable, and realistic option as a daily commuter or second vehicle.

In our short few months driving this vehicle, we have some interesting experiences I would like to share. First, the Chevy Bolt, nicknamed "Sparky" by one of our employees, is surprisingly fun to drive. With a 200-hp electric motor propelling Sparky, the Bolt drives more like a sports car than a small hatchback. While Sparky looks quite small, the absence of an internal combustion engine actually allows the car to have quite a bit of room, comfortably seating four full-grown men from our linecrew. No engine means almost no maintenance other than tire changes and occasional fluid for the windshield wipers.

The 238 mile range on one charge has proven to be sufficient...we have driven from Cloudcroft to Alto via Hwy. 244, over to Carrizozo, and back to Cloudcroft by way of Tularosa, all on one charge. In fact, we still had enough charge left to make an additional round trip drive from Cloudcroft to Alamogordo before plugging Sparky back into the charger. Anyone interested in riding or test driving the Bolt can come by the Cloudcroft office or call to make arrangements to meet at another location.

I share this information with you for one reason. As we have reported for several years, electric energy sales and associated revenues are steadily declining. I believe

mainstream adoption of EV's will be the first opportunity in decades for real growth in the electric industry. At more than 50% savings on fuel costs compared to gas engines, almost no maintenance, and zero tailpipe emissions, EV's will truly be a win-win scenario for both OCEC's membership, and the cooperative as a business. Technological improvements will continue to add range and drive costs down, making EV's even more affordable and practical than OCEC's Bolt is today.

Carrizozo Solar Project: Another win-win for OCEC and our members is the Carrizozo Solar Project, which is currently under construction. OCEC has entered into a 25-year Purchased Power Agreement (PPA) with SoCore Energy to buy energy produced from a three-megawatt solar project located between Carrizozo and Capitan on Hwy. 380. With solar prices declining over the past several years, those prices now beginning to flatten, and fixed pricing for 25 years, we believe our timing could not have been better. The energy produced by the project will reduce OCEC's total cost of purchased power, which will in

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turn be passed on to every OCEC member through the Purchased Power Cost Adjustment (PCA) line item on every OCEC electric bill. In addition to the solar, wind, and hydro power Tri-State G&T is already providing, by March of 2018, OCEC will have a large local renewable project, which also provides cost savings to all members.

As noted above, energy sales and revenues continued to decline in 2017. Through November, energy sales were down 3.7 percent compared to the same timeframe in 2016. Despite this trend, we have managed costs and continue to meet our financial goals.

Safety Program: The final item I would like to share with you is about OCEC's Safety Program. For several years, OCEC has steadily made improvements to our safety program and overall safety culture. A little over a year ago, OCEC joined the Rural Electric Safety Achievement Program (RESAP), which gave us one more tool to improve our culture of safety. These improvements have two benefits. First, fewer accidents results in fewer worker's compensation insurance claims, which has a direct influence in the cost of premiums. Our employees' commitment to safety saved \$47,933 in 2017. While lowering costs is a good thing, it pales in comparison to the most important benefit...our employees safely going home to their families each and every night. I am proud to report in 2017, our linecrews had only one accident, which was an uncontrollable encounter with a swarm of wasps.

On behalf of all OCEC employees, I would like to wish each of you a healthy, happy, and safe 2018.

 <p>A Tri-State Energy Cooperative</p>	<h2 style="text-align: center;">OTERO COUNTY ELECTRIC COOPERATIVE, INC.</h2>					
	Cloudcroft Office 202 Burro Avenue PO Box 227 Cloudcroft, NM 88317 575-682-2521	Carrizozo Office 513 12th Avenue PO Box 669 Carrizozo, NM 88301 575-648-2352	Alto Office 1135 Hwy. 48 PO Box 1135 Alto, NM 88312 575-336-4550	Emergency/Outages 800-548-4660 Fax 575-682-3109 General Manager • Mario Romero	Website Address www.ocec-inc.com Office Hours 8:00 a.m. – 5:00 p.m. (M-F)	