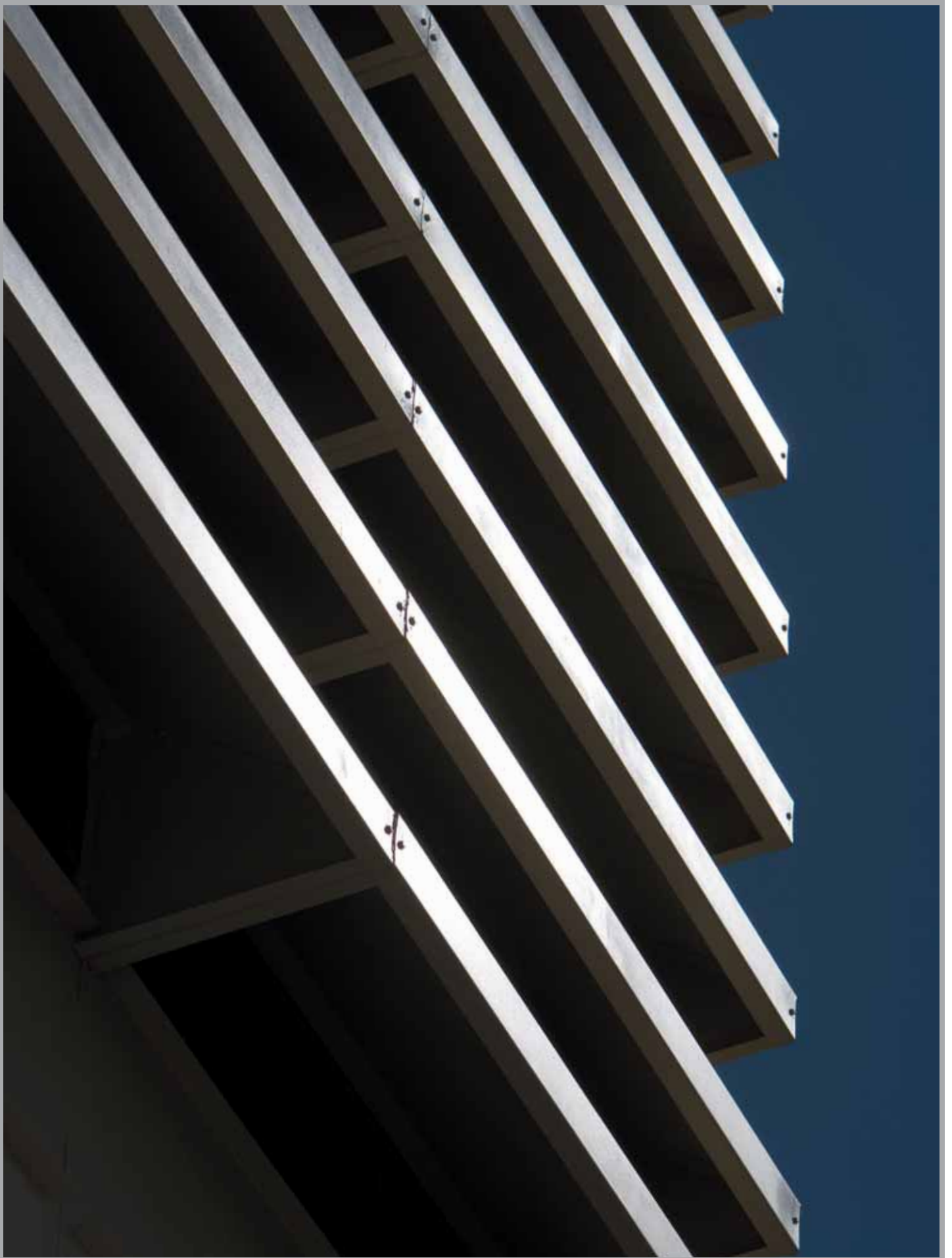


GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

Highlights of 2008

	2008	2007	% Change
Condensed Financial Data			
Operating Revenues	\$ 601,216,397	\$ 483,413,797	24.4
Operating Expenses	\$ 541,079,455	\$ 428,717,371	26.2
Operating Margins, before Fixed Charges	\$ 60,136,942	\$ 54,696,426	9.9
Fixed Charges	\$ 10,420,143	\$ 9,669,160	7.8
Non-Operating Margins	\$ 2,945,443	\$ 3,953,888	-25.5
Net Margins	\$ 52,662,242	\$ 48,981,154	7.5
Total Assets	\$ 429,192,230	\$ 373,336,248	15.0
Long-term Debt	\$ 150,954,621	\$ 148,188,715	1.9
Patronage Capital and Contributed Capital	\$ 216,503,147	\$ 178,840,905	21.1
Financial Ratios			
Total Equity (%) (1)	45.81	45.39	0.9
Current Ratio	2.61	2.67	-2.2
Debt Service Coverage Ratio	4.51	4.46	1.1
Debt/Funds Available for Debt Service	2.17	2.31	-6.1
Total Equity/Total Capitalization (%) (1)	56.04	52.70	6.3
Net Plant/Net Debt	8.73	3.06	185.3
Operating Statistics			
Average Sales Price/MWh - Members	\$ 78.69	\$ 72.00	9.3
Average Sales Price/MWh - Nonmembers	\$ 79.23	\$ 69.02	14.8
Energy Sales (MWh) - Total	7,602,707	6,783,588	12.1
Energy Sales to Members (MWh) - SPP	4,351,284	3,499,778	24.3
Energy Sales to Members (MWh) - ERCOT	1,161,363	1,033,345	12.4
Energy Sales to Members (MWh) - Total	5,512,647	4,533,123	21.6
Energy Sales to Nonmembers (MWh)	2,090,060	2,250,465	-7.1
Member Peak Demand (MW) - SPP	1,123	993	13.1
Member Peak Demand (MW) - ERCOT	200	189	5.8
Member Peak Demand (MW) - Total	1,323	1,182	11.9
Member System Load Factor (%)	47.56	43.78	8.6
Energy Generated (MWh)	1,273,792	1,357,942	-6.2
Energy Purchased (MWh)	6,487,139	5,522,155	17.5
Gas Purchased (MMBtu)	7,113,793	9,076,333	-21.6

(1) Total Equity includes accumulated comprehensive losses of \$19,900,000 and \$9,400,000 for 2008 and 2007, respectively, related to cash flow hedges.



Golden Spread Incorporated January 9, Eleven Cooperatives Join Robert W. Bryant Hired as General Manager SPS files 1984 Rate Increase, Cooperatives Oppose	1984
SPS Files 1985 Rate Increase, Cooperatives Oppose Board Recommends Members Assign SPS Power Purchase Contracts First Power Requirement Study Completed	1985
Member Contract Developed	1986
Initial Rates Filed with FERC SPS Protests Member Contract Assignments FERC Rejects SPS Challenge, Accepts Golden Spread's Rates Sales to Members Begin	1987
Congress Adopts Regulatory Fairness Act, Amends Federal Power Act Section 206 Allows Wholesale Customers to Seek Reductions, Refunds	1988
FERC Issues "Final" Orders in SPS 1984, 1985 Rate Cases Section 206 Rate Complaint Filed against SPS Seeking Lower Rates, Refunds SPS Reduces Rates to Wholesale Customers except Golden Spread unless Partial Requirements Option is Surrendered	1989
1989 Rate Complaint against SPS Settled for Substantial Rate Reduction Board Establishes Target Equity Plan Goal of \$4.5 Million by 1997	1990
Began Exploring Power Supply Options	1991
Adopted New Interruptible Irrigation Load Management Program Revised Equity Target to \$14 Million by 1997	1992
Generating Project Begun	1994
Wholesale Contract Evolves to include System Service and Dedicated Service Rates Texas Law Changes, PUCT favors Exempt Wholesale Generators GS Electric Generating Cooperative Formed, Files Application to Build Mustang Station as EWG	1995
EWG Filing Contested by SPS and LS Power LS Power and SPS Propose Three Party Deal to Build 488 MW Combined Cycle Plant	1996
Key Agreements for Mustang Station Finalized	1997
Settlement Agreement Reached with SPS	1998
Mustang Station Units 1 and 2 Begin Operating Texas Legislature Passes Retail Competition Bill SB7	1999
Mustang Station Steam Turbine-Generator Completed, Combined-Cycle Operations Begin Sales of Surplus Energy to SPS Begin	2000
Certain Practices of Denver City Energy Associates Disputed LS Power sells its DCEA Interest to NRG Mustang Station has Four Month Forced Outage of Steam Turbine-Generator Texas Legislature Delays Retail Competition in SPS Area	2001

- 2002** Margins Soar to \$19 Million, Best Financial Performance to Date
Insurance Claim Resolved for Four Month Outage at \$8.5 Million
SPS Serves Termination Notice for Partial Requirements Agreement Effective 2012
- 2003** Margins Approach \$22 Million
Dispute with SPS Settled, SPS pays \$5 million plus \$2-3 Million Benefits Annually
Filed Suit against Denver City Energy Associates for Contract Breach
Five New Members Join, Inject \$11 Million Cash
- 2004** Successful Bidder for 7.81% Interest in Oklaunion Power Plant
Deposited \$42.75 Million Cash in Escrow for Full Purchase Price
Filed Petition in Dallas County Court to Enforce Purchase and Sale Agreement, Brownsville and Oklahoma Municipal Power Agency Oppose
Filed Section 206 Rate Complaint against SPS for January 1, 2005 Refund Effective Date
Filed Fuel Complaint against SPS Alleging Improper Fuel Cost Calculation
Began Service to ERCOT Member Loads
Common Rate for all Members Established
ERCOT Members Contribute Additional \$6 Million
Purchased GE 7-FA Combustion Turbine-Generator for New Peaking Plant
Seek First Credit Rating
- 2005** Margins Reach \$47.2 Million
First Private Placement Debt Issued at \$55 Million, Fitch Ratings Assigns A- Senior Secured Rating
SPS Base Rates and Fuel Adjustment Clause Challenged
Dallas District Court Upholds Golden Spread's Oklaunion Purchase Agreement, Brownsville and Oklahoma Municipal Power Agency Appeal
Yoakum Electric Generating Cooperative Formed
- 2006** Fitch Ratings Affirms A- Rating on \$55 Million Debt
Mustang Station Unit 4 Begins Operating
Dallas Court of Appeals Reverses Trial Court on Oklaunion Purchase Agreement
Texas Supreme Court Denies Golden Spread Petition for Writ of Error
Golden Spread, GSEGC and DCEA Arbitrate Dispute
Arbitrator Issues Monetary Damage Award to Golden Spread, GSEGC
- 2007** Mustang Station Unit 5 Begins Operating, Mustang Station Unit 4 and Unit 5 Transferred to YEGC
Ranger Diesel Generating Units (4) Constructed to Support Voltage for Greenbelt System
Holcomb Expansion Air Permit Denied, Power Supply Plans Revised
Disputes with SPS Settled
New Replacement Power Supply Agreement Negotiated for 2012 – 2019
Robert W. Bryant Announces Retirement Plans, Manager Search Begins
- 2008** New Record Margins at \$52.7 Million
Patronage and Contributed Capital Retirements Reach \$41.2 Million
Patronage and Contributed Capital Exceed \$200 Million
Fitch Ratings Affirms A- Rating
Moody's Issues A3 (senior unsecured) Rating
Standard & Poor's Issues A Rating
Fort Concho Gas Storage Formed, Acquires Gas Storage and Oil Production Properties
Mark W. Schwirtz becomes President & General Manager on December 9 Succeeding Robert W. Bryant

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Description of Business

Golden Spread Electric Cooperative, Inc. is a tax-exempt, consumer-owned public utility, organized in 1984 to provide low cost, reliable electric service for its 16 rural distribution cooperative members. Golden Spread's member systems serve approximately 208,000 retail consumers located in the Panhandle, South Plains and Edwards Plateau Regions of Texas, an area covering 24 percent of the state, and in the Panhandle of Oklahoma and in Southwestern Kansas. Golden Spread operates in the Southwest Power Pool and the Electric Reliability Council of Texas.

Golden Spread owns directly or through two of its operating affiliates 550 megawatts of generating capacity and controls the output of 240 megawatts of additional capacity under a power purchase agreement. In addition, Golden Spread will purchase up to 705 megawatts of capacity and energy from various suppliers in 2009.

GS Electric Generating Cooperative, Inc. was formed by Golden Spread in 1995 as a nonprofit wholly-owned affiliate to develop and own generating facilities and sell power to Golden Spread. GSEGC is a 50 percent owner of the 480 megawatt Mustang Station, a gas-fueled, combined cycle generating plant located near Denver City, Texas.

Yoakum Electric Generating Cooperative, Inc. was formed in early 2005, also as a nonprofit wholly-owned affiliate, for the purpose of owning generating facilities and selling power to Golden Spread. Yoakum owns two 152 megawatt combustion turbine-generating units.

Fort Concho Gas Storage, Inc. was formed in September 2008 as a for profit wholly-owned affiliate and in October acquired a two Bcf underground natural gas storage facility and related assets, including oil and gas reserves and certain producing oil wells, in Tom Green County near San Angelo, Texas. Fort Concho has undertaken certain improvements to the storage facility to facilitate rapid withdrawal and recharge of natural gas for immediate or no-notice use in quick-start generating units to produce energy during times when wind turbine generation subsides. Fort Concho will continue to produce oil from the property.

25 President's Letter



As American consumers we have the opportunity to select from a wide range of choices in the marketplace. Whether shopping at the grocery store or mall, making an automobile purchase, or pursuing educational or entertainment opportunities, we can choose among brands, flavors, colors, sizes and styles. The selection possibilities can be dizzying. We are accustomed to a myriad of choices in virtually every aspect of our daily lives. We are unaccustomed to life in a world where choice is limited or nonexistent.

You may remember or may have played the popular game of pick-up sticks. It's a game of physical and mental skill in which a single stick is chosen and must be removed from a pile without disturbing those remaining.

At the start of the game the choice of sticks to extract is at its maximum and, generally, the first stick or sticks can be removed with ease. As sticks are removed and the pile diminishes, the challenge increases and choices become limited.

In a process not unlike pick-up sticks, some generating technologies are effectively being pulled or eliminated from the "pile" of options that could be used to meet future electric needs. While Americans generally don't choose among specific technologies or fuel types to produce their electricity, the process in which policy makers and special interest groups are determining which options to eliminate, or effectively handicap, will likely affect consumer choices in other areas.

An example of a generating option that, at least temporarily, has been removed from consideration is a 400 megawatt Golden Spread Electric Cooperative, Inc. ownership interest in one of the new coal-fired units planned by Sunflower Electric Power Corporation and Tri-State Generation and Transmission Association. This new capacity would have replaced older, less

efficient generating capacity that is currently used to serve a portion of Golden Spread's member loads. The air permit denial by the Kansas Department of Health and Environment, citing potential carbon dioxide emissions and possible effects on public health and the environment, has forced Golden Spread to choose among remaining options to replace some existing power supplies. Golden Spread was also planning to use this resource to fulfill new capacity needs to meet growing loads.

It remains to be seen whether the Holcomb Expansion, if ever allowed to proceed, will fit into Golden Spread's future resource plans. But, whatever the outcome of this matter, the proposed Holcomb units have been delayed indefinitely and perhaps permanently removed from the "pile" of choices available. Fewer "sticks" now remain and the challenge escalates.

The Holcomb situation is not unique. In this country, coal-fired generation has generally fallen into disfavor. Environmental groups oppose new coal units in public forums, before regulatory agencies and through litigation. These processes are, of course, appropriate and important

vehicles by which the debate over issues is raised and aired. While these efforts have not totally removed coal from consideration, they have tugged firmly to pull this fuel and technology from consideration.

Concerns over global warming and risks associated with higher planet temperatures have fueled a significant public debate, along with proposals for legislation in state legislatures and in the Congress. Bills being considered would tax emissions of greenhouse gasses such as carbon dioxide (CO₂) or impose a cap and trade system to reduce CO₂ emissions over time. Each of these proposals would affect the risks and costs of both existing and new fossil fuel choices for producing electricity.

A carbon tax is an environmental, or pollution, tax on emissions of CO₂ and other greenhouse gases. Carbon atoms are present in every fossil fuel (coal, oil, natural gas, etc.) and are released as CO₂ when burned. Renewable resources such as wind, solar and hydroelectric generation don't burn fossil

fuel and, therefore, do not produce CO₂. Nuclear generation also does not produce CO₂. A carbon tax is effectively a tax on the use of fossil fuels. It is intended to protect the environment by reducing emissions of CO₂ and thereby theoretically slowing or stopping the planet's temperature rise.

A cap and trade program sets a maximum limit, or a "cap," on CO₂ emissions. A generating unit operator covered by the cap would be required to measure, monitor, and report emissions. At the end of each compliance period the operator must have enough allowances to cover its reported emissions (an allowance is a permit that allows the holder to emit a specified amount of CO₂ or other greenhouse gasses).

The cap limits the total amount of allowances available and creates a scarcity market for the allowances based on supply and demand. Operators can buy and/or sell allowances. Companies that can reduce emissions easily or at low cost can sell allowances to others for which reducing greenhouse gas emissions is more



expensive or difficult. The effect is intended to drive down greenhouse gas emissions through escalating prices for emission allowances. The cost of purchasing emission allowances will raise the prices of electricity and, with it, the cost for manufactured goods and services. It is expected that higher costs will encourage consumers to reduce electric consumption. In fact, Golden Spread has calculated that the imposition of a CO₂ tax could add between \$4.00 and \$60.00 to the typical monthly residential electric bill.

Whether through a carbon tax or a cap and trade system, natural gas-fired generation will be favored over coal because natural gas contains less hydrocarbon than coal, thus, emissions of CO₂ are lower per unit of electricity generated. A carbon tax or cap and trade legislation will penalize existing coal-fired units as well as make it extremely difficult to consider coal-fired generation technology as a future alternative unless CO₂ capture technology can be developed. Without CO₂ capture, utilities and independent power producers will be reluctant to assume the long term risks associated with investing a billion dollars or more per generating unit, given the uncertainty of the cost for emission allowances over the economic life of the project. Even with CO₂ capture, installation and long term operating costs will likely be breath-taking.

Proposals that penalize fossil fuels or increase the risk of their application, as with the removal of sticks from the pile, tend to limit remaining generating choices. But unlike pick-up sticks, with the exception of nuclear and hydro, the options remaining (wind, solar, biomass and natural gas-fired generation) are, for the present, relatively easy to permit and construct. They are not, however, without operating challenges and potential long-term limitations.

State, local and federal tax incentives encourage renewable technology development. Production tax credits subsidize the cost of wind generation. As a result, wind farms have sprouted like corn wherever the breezes are favorable. They will continue to do so provided

subsidies remain in place. Solar generation also continues to develop inroads as a power supply option.

These renewable options can contribute significant amounts of clean energy to serve a portion of our needs. However, they do not provide reliable capacity and cannot provide continuous service. Wind generators don't turn without the breezes and stop when winds exceed their operating limits. Electric production from solar units goes down with the sun. These shortcomings require that back-up generators be available to supplement wind and solar sources if electric service continuity is to be maintained at levels we as consumers have come to expect.

New, quick-start natural gas-fired generators will likely be deployed to "take the stage" when the star performer is unavailable. Existing coal-fired units and many of the large natural gas-fired units installed today generally cannot respond quickly enough to changes in wind turbine output as the breezes ebb and flow. The challenge increases when wind turbine output becomes a significant portion of an electric grid's capacity. Coordinating back-up generators to balance the output of wind turbines brings significant operating complications.

These are just a few of the changes that are affecting both existing generation and future choices for supply. Some changes involve new transmission lines as well. Substantial improvements to our nation's electric lines are needed and are being developed to deliver energy from expanding renewable resources. New requirements and regulations and new generating and transmission facilities will affect the cost and reliability of electric grid systems for decades to come.

Changes already underway in our nation's electric generating and transmission infrastructure will have significant and lasting cost effects. New generating units will cost more to install than previous ones, although new units equipped with best available emission control equipment can reduce pollution

Proposals that penalize fossil fuels or increase the risk of their application, as with the removal of sticks from the pile, tend to limit remaining generating choices.

compared to older, less effective generating units. New technology, such as carbon capture systems, may be applied to future units and possibly retrofitted to older ones. The result could be good for our environment, but electric service will come at a much higher cost.

While the current downturn in the nation's economy has caused natural gas prices to tumble, it has also caused a reduction in drilling by exploration companies. Natural gas storage levels, and oil storage as well, is up substantially over previous years and will result in lower prices for the summer and likely into the winter. However, a turnaround in the economy would likely cause prices to rebound. Consumers should view current and near-term reductions in natural gas prices as a market correction and not expect low gas prices and reduced electric rates for an extended period.

Higher long-term costs for electricity should drive consumers to reduce consumption. It is through conservation that electric consumers can have the greatest effect on their future cost of electric service. By investing now in energy efficiency programs, consumers will maximize their savings possibilities.

Consumers can also be effective by participating in the debate over which technologies should be developed and the extent that the use of fossil fuels should be penalized. These are difficult choices. Public enthusiasm for coal generation has dimmed. Hydro generation is difficult to site and, of course, not available for our area. Nuclear, while experiencing a revival of support, can only affect supply options in the distant future as it takes too long to site, permit and construct to meet near-term needs.

The development of additional wind and solar, along with natural gas generation for back-up, will be essential to meeting increased loads and for replacing generating units that must be retired. These, however, cannot offer sustainable supplies for the long term and will face significant challenges in meeting interim growth when the economy begins to recover.

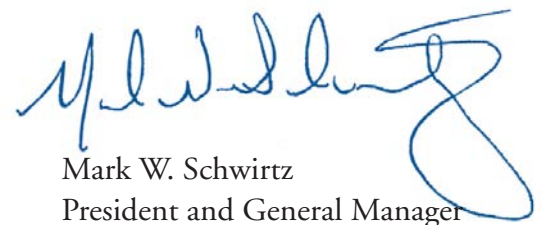
Consumers should encourage legislators and policy makers to strike a careful balance between environmental concerns and retail electric costs.

Consumers should encourage legislators and policy makers to strike a careful balance between environmental concerns and retail electric costs. Without that balance some Americans simply may not be able to afford electric service in the not too distant future.

Some players may take their pick-up sticks seriously, but the risk is only that a stick in the pile will shift and the player will lose a turn and possibly fail to achieve the winning score. Meeting future electricity needs is a more serious matter having long-lasting environmental and economic effects. Unlike marketplace choices available to consumers, electric power suppliers are faced with limited, and in some cases, more risky choices for meeting new generating needs.

For electric consumers, limiting generating options or penalizing fossil fuel use will have serious, long-term cost and possible reliability consequences. New technologies in the research and development pipeline may eventually mitigate these effects, but they are years away from solving our present dilemma.

Unlike the game of pick-up sticks, the winners will be those consumers served by power suppliers that are able to make maximum use of all of the resource options available in the "pile," including new technologies and those aspects of traditional technologies that provide an important bridge to a more sustainable future. As generating options and demand requirements evolve over time, Golden Spread, as it has for 25 years, will develop and implement creative solutions that should enable member-consumers throughout the region to meet their needs and objectives with reliable electric service at affordable costs. You can be certain that Golden Spread takes the power supply "game" very seriously.



Mark W. Schwirtz
President and General Manager

FINANCIAL PERFORMANCE

Revenues in 2008 exceeded \$601 million, a record high and an increase of \$118 million, or 24.4 percent, compared to 2007 sales of \$483 million. The increase resulted from a 12.1 percent increase in total energy sales and an increase in natural gas prices. Net margins for 2008 were \$52.7 million, also a new record and an increase of 7.5 percent compared to 2007 net margins of \$48.9 million.

PATRONAGE AND CONTRIBUTED CAPITAL RETIREMENT

Golden Spread paid \$15,000,000 (\$3.31 per megawatt-hour of member energy purchases during 2007) in cash to its member systems in February 2008 under a revised patronage and contributed capital retirement plan which returned 8.5 percent of the prior year-end equity balance. In January 2009 Golden Spread paid its member systems \$18,000,000 (\$3.27 per megawatt-hour of energy purchases during 2008) for patronage and contributed capital retirement.

Golden Spread has returned \$41.2 million to its member systems in patronage and contributed capital retirements since commencing retirements in 2001. This represents more than 17 percent of the patronage and contributed capital earned or contributed by Golden Spread's members since Golden Spread's formation nearly twenty-five years ago.

CREDIT RATINGS

Fitch Ratings (Fitch) assigned an A- senior secured rating in connection with Golden Spread's first private placement financing, a \$55 million debt issuance completed in 2005 for Mustang Station Unit 4, and for general corporate purposes. In September 2008 Fitch reaffirmed the rating with a stable outlook.

Golden Spread requested general corporate credit ratings from Moody's Investors Services and from Standard & Poor's in late 2007. Moody's issued an A3 senior unsecured debt rating (equivalent to A2 senior secured rating) in June 2008. In July 2008, Standard & Poor's issued an A rating.

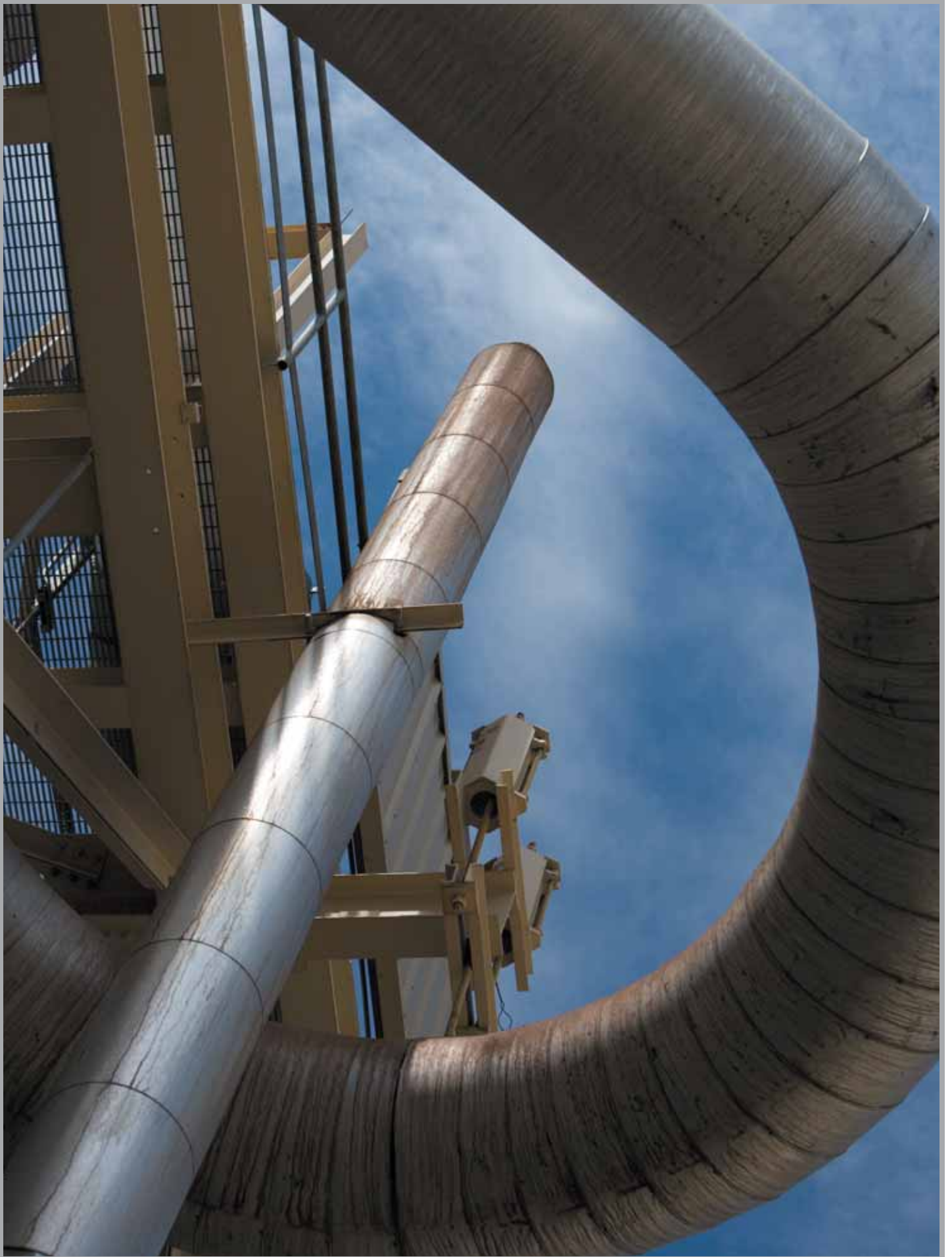
2008 SALES RESULTS

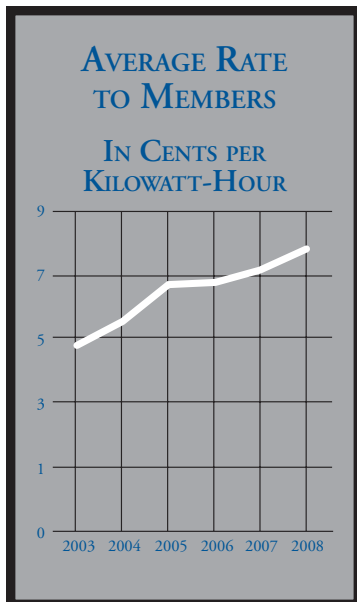
Total energy sales to members and nonmembers for 2008 increased to 7.6 million megawatt-hours, up 12.1 percent over the 2007 sales which were nearly 6.8 million megawatt-hours. While sales to members increased 21.6 percent to 5.5 million megawatt-hours in 2008 compared to 4.5 million megawatt-hours in 2007, sales of surplus energy declined 7.1 percent to 2.1 million megawatt-hours from 2.3 million megawatt-hours the prior year. Higher summer temperatures, generally high commodity prices and below average precipitation during critical crop periods drove peak demand (coincident) for 2008 to 1,323 megawatts, an increase of 141 megawatts from the 2007 peak load.

Golden Spread operates in the Southwest Power Pool (SPP) and Electric Reliability Council of Texas (ERCOT) reliability areas. Sales to members within the SPP increased to 4.4 million megawatt-hours, up 24.3 percent over 2007 while sales for ERCOT members' use increased to 1.2 million megawatt-hours or 12.4 percent from 2007. Demand peaked at 1,123 megawatts for SPP loads, an increase of 13.1 percent while ERCOT peak demand increased to 200 megawatts for 2008, a change of 5.8 percent.

The average cost of power sold to members for 2008 was \$78.69 per megawatt-hour, up 9.3 percent from \$72.00 per megawatt-hour in 2007. The higher costs resulted from increases in wholesale







power cost from Golden Spread's wholesale power suppliers, Southwestern Public Service Company (SPS), AEP Energy Partners, Inc. (AEP), Denver City Energy Associates, L.P. (DCEA), by its wholly-owned affiliates GS Electric Generating Cooperative, Inc. (GSEGC) and Yoakum Electric Generating Cooperative, Inc. (YEGC).

POWER SUPPLY RESOURCES

Golden Spread's power supply resources include a combination of wholesale purchase power agreements (PPAs) and generating units that are owned directly or through affiliates.

To serve member loads located within the South-west Power Pool, Golden Spread holds long-term PPAs for all of the capacity owned by two of its wholly-owned affiliate cooperatives, GS Electric Generating Cooperative, Inc. and Yoakum Electric Generating Cooperative, Inc. GSEGC owns 50 percent or 240 megawatts of the highly efficient natural gas-fired combined cycle generating units at Mustang Station. YEGC owns two 152 megawatt (summer rating) natural gas-fired peaking combustion turbine-generators which are located adjacent to the Mustang Station units. Golden Spread also holds a long-term PPA with Denver City Energy Associates for DCEA's 50 percent ownership share of Mustang Station and a partial requirements PPA with Southwestern Public Service Company.

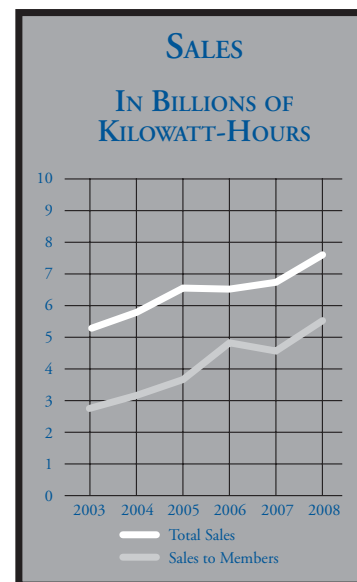
During the Spring and Summer, when irrigation loads were high, Golden Spread supplied members' requirements within the SPP reliability area from wholesale purchases from SPS, supplemented by energy produced at Mustang Station, a fuel-efficient combined cycle generating facility, and from its two Yoakum simple cycle generators. When member demands were low, Golden Spread supplied its SPP member loads entirely with energy purchased under its power purchase agreement with SPS (SPS PPA).

When natural gas fuel prices are high, Golden Spread first utilizes purchases from SPS to meet its SPP load requirements because a large amount of low cost coal-generated electricity is available under the SPS PPA. When natural gas prices fall below a threshold level, Golden Spread uses Mustang Station first to meet its SPP load requirements. Monthly average prices for natural gas fuel consumed at Mustang Station and by the Yoakum units ranged from a high of \$10.94/MMBtu in June to a low of \$4.38/MMBtu in October.

During member low load periods, Golden Spread sold some of the energy generated at Mustang Station to SPS on a contract basis, with the remainder dispatched into the SPP Energy Imbalance Services Market (EIS Market).

Under its PPA with SPS, Golden Spread purchased 430 megawatts for January through May 2008 and 480 megawatts beginning June 1. Golden Spread requested and SPS has agreed to provide 505 megawatts beginning June 1, 2009. Golden Spread is entitled to increase its purchases by an additional 20 megawatts to 525 megawatts effective June 1, 2010. A Replacement Power Sales Agreement extending through April 2019 will become effective upon termination of the SPS PPA in April 2012.

Golden Spread is entitled to establish the capacity dispatch order, redirect the dispatch order as conditions change, and schedule energy under PPAs with its affiliates, DCEA and SPS.



The SPS energy, which is priced at monthly system average cost and includes a substantial amount of low cost coal and wind generated energy, was generally dispatched first during 2008.

NAES Corporation (formerly, North American Energy Services) provides operating and maintenance services for all of the generating units at the Mustang Station site under contracts with GSEGC, DCEA and YEGC. DCEA, the Operating Agent for Mustang Station, also serves as Operating Agent for Mustang Station Unit 4 and Unit 5. Alliance for Cooperative Energy Services (ACES) Power Marketing, owned in part by Golden Spread, provides fuel procurement and management services.

Prior to January 1, 2008, Golden Spread served its Electric Reliability Council of Texas (ERCOT) members' loads with power purchased pursuant to wholesale power agreements with AEP Energy Partners, Inc. (AEP) and Luminant Energy Company LLC (formerly known as TXU Portfolio Management Company LP) (Luminant). The AEP agreement and, with a few exceptions, the Luminant agreements, expired at the end of 2007. Prior to expiration of those agreements Golden Spread took bids for replacement power supply arrangements and following extensive review of the supply offers, selected AEP Energy Partners, Inc. Golden Spread entered into a two year agreement for AEP to supply the full requirements of Golden Spread's ERCOT member loads commencing January 1, 2008.



REPLACEMENT POWER SALES AGREEMENT

On December 3, 2007, Golden Spread and SPS executed a settlement agreement that resolved, with the exception of the appropriate demand cost allocation methodology, all pending rate and fuel adjustment clause disputed issues between them. The settlement also included a negotiated Replacement Power Sales Agreement (RPSA) to commence upon the termination of the SPS PPA. The settlement resolved disputes about Golden Spread's capacity entitlements under the PPA in years' prior to 2009 and set the maximum capacity entitlement amounts under the PPA for 2009 at 505 MW and for 2010 and 2011 at no more than 525 MW per year. The Federal Energy Regulatory Commission (FERC) approved the settlement and accepted the RPSA on April 21, 2008.

Under the RPSA Golden Spread's capacity entitlement cannot exceed 500 MW beginning April 20, 2012, when it becomes effective. This maximum capacity entitlement decreases to 300 MW in 2015 and is further reduced to 200 MW in 2017 where it remains until the RPSA terminates in 2019.

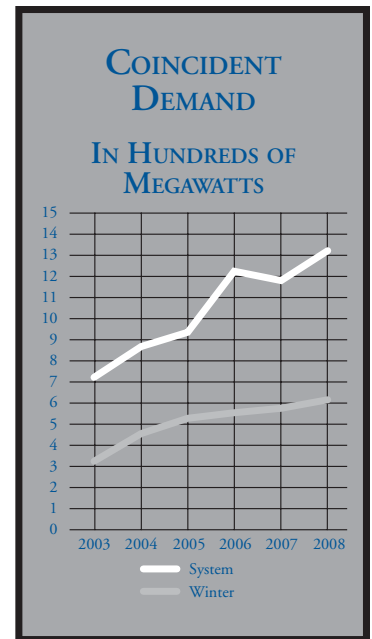
Golden Spread is planning and will develop new generating resources, including wind generation and quick-start natural gas-fired generating units, to offset capacity reductions that occur under the RPSA.

Golden Spread is currently negotiating to replace or extend the AEP contract which will terminate at year-end.

NET METERING PROGRAM

Golden Spread initiated a Member System Net Metering Program (MSNMP) in 2008 to accommodate member-consumers who desire to install renewable resource generating units. The MSNMP waives certain provisions of the wholesale power contract and allows member systems to net me-

ter renewable resources connected behind retail member-consumer meters. Generation facilities that are powered by wind, solar or biomass (with a maximum rated output of 1 to 250 kW, and are owned by and connected behind a member-consumer's meter) qualify to participate in the program. Golden Spread provides an energy-based credit to members participating in the MSNMP and provides backup service. The MSNMP currently is limited to an aggregate of 24 MW in the Southwest Power Pool and 6 MW in the Electric Reliability Council of Texas. Wholesale rate changes necessary to implement the MSNMP were accepted for filing by FERC and made effective on October 1, 2008.



MARKET PARTICIPATION PROGRAM

Golden Spread also has initiated a Market Participation Program in the SPP for member-consumers who wish to install renewable resources that do not qualify for or are not participating in the Net Metering Program. Under the Market Participation Program a participant receives the Locational Imbalance Price (LIP) in the SPP EIS Market or Golden Spread's identifiable avoided costs.

TRANSMISSION FACILITIES ACQUISITION

In 2008 Golden Spread acquired approximately \$7.9 million of transmission and substation assets from its members Big Country, Coleman County and Concho Valley Electric Cooperatives. Two additional substations will be acquired from Concho Valley in 2009. Special Facilities Agreements

between Golden Spread and each member system govern ownership and maintenance of the lines and substations. Each member will continue to operate and maintain the transferred facilities under an Operations and Maintenance Agreement with Golden Spread. Costs associated with the assets are charged to the member under Rider A of the Golden Spread Wholesale Power Contract with the member.

Golden Spread is in the process of acquiring certain transmission and substation facilities of Taylor Electric Cooperative under a similar arrangement.

TRANSMISSION AND SUBSTATION CONSTRUCTION

Golden Spread and its member Greenbelt Electric Cooperative entered into a Special Facilities Agreement to add a transformer to Greenbelt's Wheeler Substation and construct the Kelton Substation and 18.4 miles of 69 kV transmission line between the two substations. The Kelton Line was placed in operation in August 2008. Greenbelt constructed the facilities under a Construction Agency Agreement with Golden Spread and operates and maintains them under an Operations and Maintenance Agreement between the parties. Golden Spread and Greenbelt also have entered into a Joint Pole Use Agreement for use of the Kelton Line. Costs associated with the assets are charged to Greenbelt by Golden Spread through Rider A of the Wholesale Power Contract between Golden Spread and Greenbelt.

NATURAL GAS STORAGE FACILITY

Golden Spread formed Fort Concho Gas Storage, Inc. in September 2008 as a for profit wholly-owned affiliate. In October, Fort Concho acquired an existing, 2 Bcf underground natural gas storage facility, oil and gas reserves, producing oil wells and

related assets in Tom Green County near San Angelo, Texas. The storage facility had been developed in the mid-1960s and was operated to produce oil and natural gas and, until recently, to store natural gas for electric power generation. Fort Concho Gas Storage is making improvements to the wells and equipment to facilitate rapid withdrawal and recharge of natural gas for immediate or no-notice use in quick-start generating units to produce energy during times when wind turbine generation subsides. Fort Concho will continue to produce oil and natural gas under the acquired lease agreements and when the oil has been fully depleted, the gas storage capability is projected to increase to 3 Bcf.

MANAGER SUCCESSION

Following a nation-wide search, the Board of Directors selected Mark W. Schwirtz as president and general manager to succeed Robert W. Bryant effective on December 9, 2008. Mr. Schwirtz was the chief executive officer/general manager of Trico Electric Cooperative, Inc. of Marana, Arizona, and a member of the board of directors of Southwest Transmission Electric Cooperative, Inc. in Benson, Arizona. Previously, Mr. Schwirtz served as senior vice-president and chief operating officer of Arizona Electric Power Cooperative, Inc., Benson, Arizona, and as president of Consumers United for Rail Equity, the Western Coal Traffic League, Western Energy Supply and Transmission Associates and of the Grand Canyon Section of Air and Waste Management Association. He has extensive experience in power supply planning, environmental permitting and electric utility operations and is the author of several environmental publications. Mr. Schwirtz holds a Bachelor of Science in Meteorology from Texas A&M University and is a commissioned officer in the United States Naval Reserve. Mr. Bryant retired on January 2, 2009.





front row, left to right:

Wilton J. Payne (*Lyntegar Electric Cooperative, Inc.*), Roger Bryan (*Coleman County Electric Cooperative, Inc.*), Gaylord Groce (*Lighthouse Electric Cooperative, Inc.*), Stephen R. Louder, P.E., Secretary/Treasurer (*Deaf Smith Electric Cooperative, Inc.*), Stan McClendon, Vice Chairman (*Greenbelt Electric Cooperative, Inc.*)

middle row, left to right:

Randy Mahannah, P.E. (*North Plains Electric Cooperative, Inc.*), Larry Hodges (*Tri-County Electric Cooperative, Inc.*), Clark Andrews (*Deaf Smith Electric Cooperative, Inc.*), Roland Witt (*Coleman County Electric Cooperative, Inc.*), Brent Wheeler (*Rita Blanca Electric Cooperative, Inc.*), Charles Castleberry (*Swisher Electric Cooperative, Inc.*)

back row, left to right:

Steve Williams (*Southwest Texas Electric Cooperative, Inc.*), Larry Sloan (*Taylor Electric Cooperative, Inc.*), Darrell Stephens (*Bailey County Electric Cooperative Association*), Jim Steward (*Lamb County Electric Cooperative, Inc.*), Jimmie Reed (*Swisher Electric Cooperative, Inc.*)



front row, left to right:

James Driver, Chairman (*South Plains Electric Cooperative, Inc.*), Kenneth Mathews (*Greenbelt Electric Cooperative, Inc.*), David Sell, C.P.A. (*North Plains Electric Cooperative, Inc.*), David Marricle (*Bailey County Electric Cooperative Association*), Jack Perkins (*Tri-County Electric Cooperative, Inc.*)

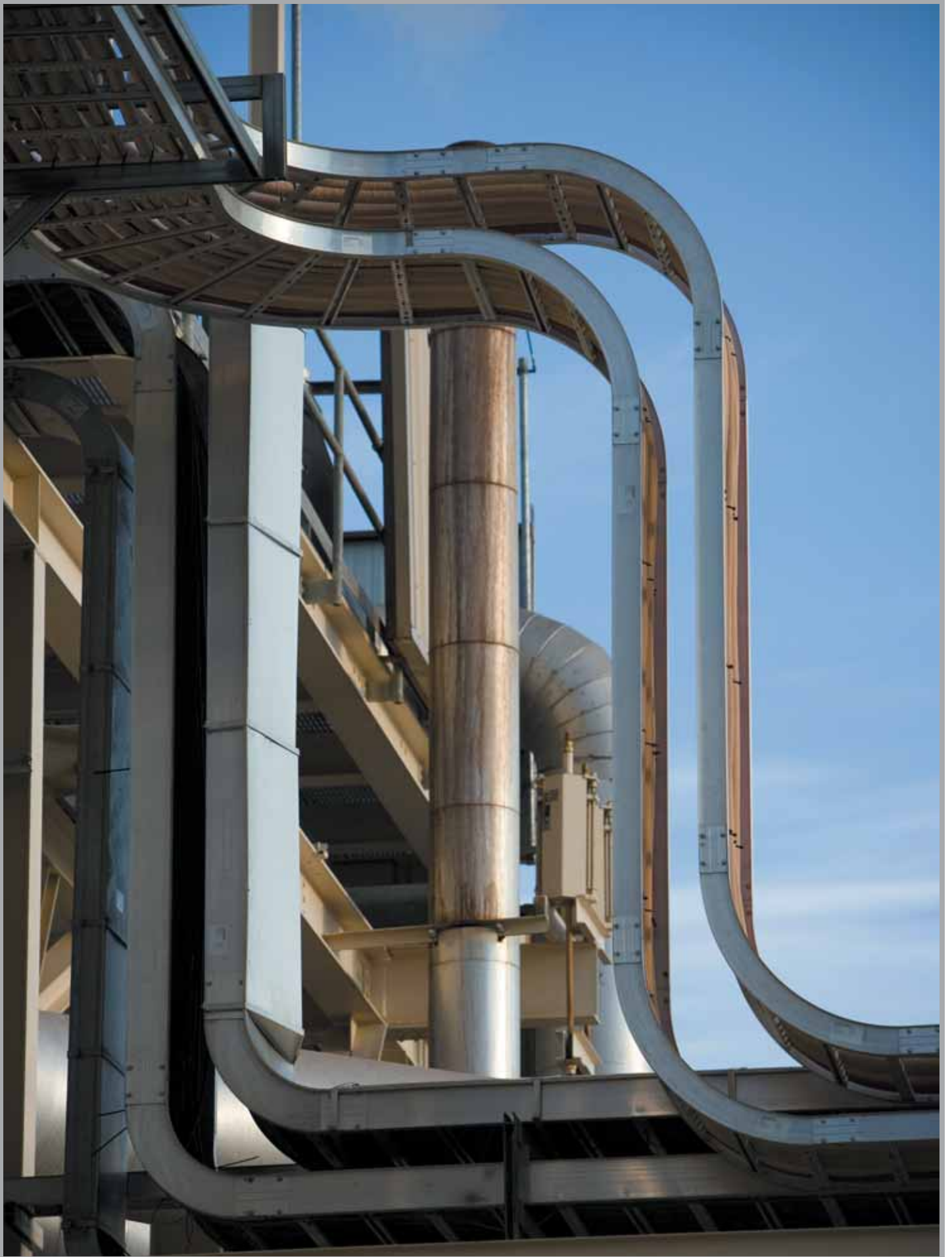
middle row, left to right:

William Whittten (*Southwest Texas Electric Cooperative, Inc.*), Fredda Buckner (*Big Country Electric Cooperative, Inc.*), Carl Williams (*Big Country Electric Cooperative, Inc.*), Billy C. Harbin (*Lighthouse Electric Cooperative, Inc.*), Kelly Lankford (*Concho Valley Electric Cooperative, Inc.*)

back row, left to right:

Tommy Joines (*South Plains Electric Cooperative, Inc.*), Delbert Smith (*Lamb County Electric Cooperative, Inc.*), Jimmy Stokes (*Rita Blanca Electric Cooperative, Inc.*), Earl Brown (*Lyntegar Electric Cooperative, Inc.*), Jeff Copeland (*Concho Valley Electric Cooperative, Inc.*)

not pictured: Darryl Schriver (*Taylor Electric Cooperative, Inc.*)



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25	25	25	25	25	2008	25	25
25	25	25	25	25	25	25	25
25	25	25	25	25	25	25	25

2008 Financial Information

25 Management's Discussion & Analysis

Management's Discussion and Analysis provides an overview of the consolidated financial condition and results of operations of Golden Spread Electric Cooperative, Inc. and its wholly-owned operating affiliates, GS Electric Generating Cooperative, Inc. (GSEGC), Yoakum Electric Generating Cooperative, Inc. (YEGC), and Fort Concho Gas Storage, Inc. (FCGS). FCGS was formed in 2008 to acquire a gas storage facility that is intended for future use by Golden Spread in connection with the installation of planned quick-start generation resources.

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 the forward-looking statements. Any forward-looking statements are based on information as of the date of this report.

Results of Operations

Sales

Megawatt-hour sales increased to a record level in 2008, exceeding 7.6 million megawatt-hours which represents a 12.1% increase from 2007 sales of 6.8 million megawatt-hours and a 17.4% increase from the 2006 sales of slightly less than 6.5 million megawatt-hours. Megawatt-hour sales by component for the past three years are shown in the table below:

	Years Ended December 31,		
	2008	2007	2006
Member Sales			
SPP	4,351	3,500	3,853
ERCOT	1,162	1,034	1,071
Sub-total Member Sales	5,513	4,534	4,924
Nonmember Sales	2,090	2,250	1,554
Total Sales	7,603	6,784	6,478

The record sales volume in 2008 was due to a 21.6% increase in member sales as compared to 2007 sales. The increase in member sales contributed to a 7.1% decline in nonmember sales for the same period. The increase in member sales in 2008 was due to hot and dry weather conditions, resulting in increased irrigation load, particularly in the Southwest Power Pool (SPP) region. Strong economic conditions in the members' service territories due to generally higher commodity prices for oil, natural gas and agricultural products also contributed to the increased member sales.

Although nonmember sales in 2008 declined as compared to 2007, they still were 34.5% higher than the 2006 volume of nonmember sales. The high volume of nonmember sales contributed substantially to the increased net margins in 2007 and 2008, as explained below.

Net Margins

Net margins increased 7.5% to a record high in 2008, exceeding by more than \$3.6 million the net margins earned in 2007, the previous record year. A comparison of the components of net margins is set forth in the table below:

	Years Ended December 31,		
	2008	2007	2006
Nonmember Sales	\$ 34,801	\$ 34,669	\$ 13,275
Member Capacity Charges	12,385	8,637	4,917
Administrative Charge	2,531	1,721	1,648
Other	2,945	3,954	5,331
Net Margins	\$ 52,662	\$ 48,981	\$ 25,171

As explained previously, the 34.5% increase in nonmember sales volume from 2006 to 2008 contributed substantially to the increase in margins earned from nonmember sales in 2007 and 2008. The increased volumes and margins attributable to nonmember sales are due in part to Golden Spread's participation in the Southwest Power Pool's Energy Imbalance Service (EIS) Market which became effective on February 1, 2007. The ability of Golden Spread to sell power into the market when prices are above the incremental cost of production and to purchase energy from the market when prices are less than the incremental cost of production has contributed to the average sales prices per megawatt-hour shown in the table below:

Average Sales Price per Megawatt-Hour (\$/MWh)			
	Years Ended December 31,		
	2008	2007	2006
Member	\$ 78.69	\$ 72.00	\$ 69.44
Nonmember	\$ 79.23	\$ 69.02	\$ 59.61

Since the start of the EIS market, average sales prices to nonmembers have increased 32.9% to \$79.23 in 2008 from 2006 average sales price of \$59.61. During the same period the average sales price to members has increased only 13.3% despite a 21.5% increase in the average price of natural gas from an average price of \$6.04/MMBtu in 2006 to an average price of \$7.34/MMBtu in 2008. These changes are substantially attributable to taking advantage of favorable EIS market conditions for both the purchase and sale of energy. Golden Spread's business model utilizes wholly-owned affiliates to hold substantially all of Golden Spread's generation resources. The wholesale power contracts with the affiliates provide for the payment of all operating costs plus a capacity charge that results in a Debt Service Coverage (DSC) ratio for the affiliate of not less than 1.5 times. The contribution to net margins provided by the capacity charges paid to affiliates has increased to \$12.4 million in 2008 from \$4.9 million in 2006. The increase in this component of margins is due, in part, to the annual increase in the contract capacity rates charged by GSEGC for the sale of capacity and energy from its one-half ownership interest in Mustang Station. The most significant increase in this component of net margins, however, is due to the construction and transfer of Mustang Station Unit 4 and Unit 5 to YEGC effective June 29, 2007. At that time, Golden Spread commenced purchases of wholesale power from YEGC under the terms of the cost based wholesale power contract. The capacity charge in the YEGC contract contributed to the increase in capacity charge derived margins in 2008 and 2007. One component of the Golden Spread formulary rate charged to its members is the Administrative Charge, which is applied to megawatt-hours sold. The yearly variation in the net margin provided by the Administrative Charge is the result of three factors:

1. The volume of energy sales to members
2. The amount of the Administrative Charge (\$/MWh)
3. The level of actual versus budgeted administrative and general expenses, excluding outside professional services cost which are a flow-through item in rates.

The Administrative Charge is set by contract at \$1/MWh but the Golden Spread Board has authority to reduce that charge. In 2008 the Board reduced the Administrative Charge to \$0.76/MWh. The Administrative Charge was set at \$0.68 in 2007 and \$0.52 in 2006. The increased contribution to net margins provided by the Administrative Charge in 2008 was also influenced by a combination of increased megawatt-hour sales to members and administrative and general costs that were less than budgeted. Other Income consists primarily of interest earned on cash balances. Interest income declined in 2007 because Golden Spread utilized its cash to fund the purchase of a 7FA combustion turbine-generator and construction of Mustang Station Unit 5 at a cost of \$51.5 million and to fund the purchase of a second 7FA combustion turbine-generator and a steam turbine-generator at a combined cost of \$26.5 million. The additional 7FA combustion turbine-generator and the steam turbine-generator are being held for future use. Although Golden Spread maintained higher average cash balances in 2008, the decline in interest rates reduced the amount of interest income earned.

Operating Revenues

The components of operating revenues are set forth in the following table:

	Operating Revenues (\$ in 000's)		
	Years Ended December 31,		
	2008	2007	2006
Wholesale Power Sales			
Member Sales	\$ 433,812	\$ 326,378	\$ 341,864
Nonmember Sales	165,602	155,323	92,626
Other Operating Revenues	1,802	1,713	1,616
Total Operating Revenues	<u>\$ 601,216</u>	<u>\$ 483,414</u>	<u>\$ 436,106</u>

Operating revenues increased 24.4% in 2008 due primarily to the 21.6% increase in energy sales to members and a 9.3% increase in the average selling price to \$78.69 per MWh in 2008 from \$72.00 per MWh in 2007. A decline in the volume of megawatt-hours sold to nonmembers in 2008 was more than offset by the higher average selling price of \$79.23, up from \$69.02 per MWh in 2007. The increase in operating revenues in 2007 of 10.8% was due to a 45% increase in nonmember sales volume partly offset by a decline of 8% in the volume of megawatt-hours sold to members.

Operating Expenses

Operating expenses are summarized in the table below:

	Operating Expenses (\$ in 000's)		
	Years Ended December 31,		
	2008	2007	2006
Fuel and Purchased Power	\$ 507,733	\$ 395,291	\$ 371,576
Plant Operations & Management	1,359	1,418	1,557
Plant Maintenance	2,840	6,846	7,311
Administrative & General	14,605	12,444	14,504
Depreciation	8,105	7,099	5,132
Taxes Other than Income	1,507	1,478	1,381
Other	4,930	4,141	4,809
Total	<u>\$ 541,079</u>	<u>\$ 428,717</u>	<u>\$ 406,270</u>

The increases in fuel and purchased power costs are directly related to the unit cost and the volume of capacity and energy purchased in each period. The average cost of fuel and purchased power was \$65.42 in 2008, compared to \$57.46 in 2007 and \$56.52 in 2006. The average cost per megawatt-hour was fairly stable from 2006 to 2007, then increased almost 14% in 2008 due to an increase in the level of capacity purchased (due to load growth requirements), an increase in the base power costs of substantially all purchased power contracts, and an increase in natural gas prices.

Plant maintenance and maintenance services dropped significantly in 2008 compared to 2007 and 2006 due to less scheduled maintenance and fewer unplanned outages. Both 2007 and 2006 reflected higher than normal plant maintenance costs. The reduction in administrative and general expenses in 2007 was the result of reduced expenses for outside services. The 2008 and 2007 increases in depreciation and other operating expenses are due to the addition of Mustang Station Unit 4, which began commercial operation effective May 1, 2006, and the addition of Mustang Station Unit 5 which began commercial operation effective June 1, 2007.

Liquidity and Capital Resources

At December 31, 2008 and 2007, Golden Spread had available cash of approximately \$123 million and \$80 million, respectively. In addition to the available cash, Golden Spread, through its wholly-owned affiliate GSEGC, had approximately \$5 million in reserve funds (i.e., debt service reserve fund and maintenance reserve funds) and \$3.5 million in a required cash working capital deposit, all of which have been excluded from the available cash balances. In addition, Golden Spread has a line of credit of \$95 million, of which \$15 million is reserved in connection with the term loan associated with Mustang Station. At December 31, 2008, there was \$3.2 million in outstanding borrowings under this credit facility and \$4.5 million had been used to secure an irrevocable letter of credit required by a fuel supplier. 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 addition to the significant cash balances maintained at each year-end, Golden Spread also had additional borrowing capability of \$82 million under its indenture due to the addition of Mustang Station Unit 5, a 152 MW combustion turbine-generator, and the purchase of both an additional 7FA combustion turbine-generator and a steam turbine-generator for future use. These assets constitute bondable additions under the indenture that were financed through cash generated from operations.

The increase in available cash from 2007 to 2008 is due primarily to net margins in excess of \$52 million in 2008, partly offset by the purchase of an underground natural gas storage facility that will be used to support generation resources.

Over the next ten years, Golden Spread plans to add approximately 1,000 megawatts of new generation resources to its power supply portfolio. Current plans call for the installation of a combination of gas-fired combined cycle facilities and quick-start generating units that will enable Golden Spread to reliably integrate intermittent wind energy into its resource mix. These new resources also will be used to serve load growth in both the SPP and the Electric Reliability Council of Texas (ERCOT), to replace expiring wholesale power contracts, and to reduce exposure to volatile wholesale market pricing. Golden Spread continues to develop a power supply portfolio that includes a mix of owned generation and purchased power that provides renewable, gas-fired and coal-fired resources to supply its members with reliable and reasonably priced power.

Golden Spread maintains target financial ratios that are deemed appropriate to ensure adequate liquidity, equity, and debt service coverage ratios to support the additional debt that will be needed to fund new generating resources. The target ratios influence management and the Board of Directors in establishing annual budgets, setting rates, and determining the level of patronage capital retirements to members. In 2008, Golden Spread determined that it had sufficient capital and liquidity to finance its current generation expansion plans and modified its patronage and contributed capital retirement program to return to member systems an amount approximating 8.5% of its prior year-end equity balance. In 2009 and 2008 Golden Spread retired patronage and contributed capital of \$18 million and \$15 million, respectively. Golden Spread's financial policies are designed to maintain capital and liquidity sufficient to provide for the financing of all future projects with an appropriate mix of debt and equity, while maintaining strong financial ratios.

In 2008, Moody's Investor Services issued a general corporate credit rating of A3 (equivalent to an A2 on a senior secured basis) and Standard & Poor's issued a credit rating of A. Fitch Ratings updated its rating on Golden Spread's senior secured debt reaffirming the A- rating, with a stable outlook.

Consolidated Balance Sheets

ASSETS

	December 31	
	2008	2007
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 255,205,875	\$ 235,961,663
Construction Work in Progress	-	1,148,022
Less: Accumulated Provision for Depreciation	<u>53,374,813</u>	<u>40,053,897</u>
	<u>\$ 201,831,062</u>	<u>\$ 197,055,788</u>
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 1,899,601	\$ 1,632,289
Other Property	8,668,986	534,423
Reserve Funds	<u>5,268,413</u>	<u>5,164,674</u>
	<u>\$ 15,837,000</u>	<u>\$ 7,331,386</u>
CURRENT ASSETS		
Cash	\$ 6,349,468	\$ 16,589,192
Temporary Cash Investments	116,496,802	63,653,546
Special Deposits	3,500,000	3,500,000
Accounts Receivable	37,629,627	41,886,960
Prepaid Expenses and Other Current Assets	<u>6,548,025</u>	<u>6,285,080</u>
	<u>\$170,523,922</u>	<u>\$ 131,914,778</u>
OTHER ASSETS		
Equipment Inventory	\$ 26,500,000	\$ 26,500,000
Deferred Charges	11,453,542	7,228,438
Debt Issuance Costs (Net of accumulated amortization of \$2,104,131 in 2008 and \$1,844,978 in 2007)	<u>3,046,704</u>	<u>3,305,858</u>
	<u>\$ 41,000,246</u>	<u>\$ 37,034,296</u>
	<u>\$ 429,192,230</u>	<u>\$ 373,336,248</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	\$ 201,948,392	\$ 162,926,320
Contributed Capital	14,554,755	15,914,585
Accumulated Comprehensive Income (Loss)	<u>(19,900,000)</u>	<u>(9,400,000)</u>
	<u>\$ 196,603,147</u>	<u>\$ 169,440,905</u>
LONG-TERM DEBT		
Mortgage Notes Less Current Maturities	<u>\$ 145,456,852</u>	<u>\$ 143,141,830</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 5,497,769	\$ 5,046,885
Notes Payable	3,289,008	3,889,008
Accounts Payable	37,963,335	37,201,663
Amounts Due Members	15,929,111	1,461,677
Other Accrued Expenses	<u>2,604,966</u>	<u>1,755,521</u>
	<u>\$ 65,284,189</u>	<u>\$ 49,354,754</u>
DEFERRED CREDITS	<u>\$ 21,848,042</u>	<u>\$ 11,398,759</u>
	<u>\$ 429,192,230</u>	<u>\$ 373,336,248</u>

See accompanying notes to consolidated financial statements.

Consolidated Income Statements

25

	Years Ended December 31		
	2008	2007	2006
OPERATING REVENUES			
Wholesale Power Sales	\$ 599,414,174	\$ 481,700,562	\$ 434,490,293
Other Operating Revenues	1,802,223	1,713,235	1,615,831
Total Operating Revenues	<u>\$ 601,216,397</u>	<u>\$ 483,413,797</u>	<u>\$ 436,106,124</u>
OPERATING EXPENSES			
Purchased Power	\$ 418,365,827	\$ 319,213,463	\$ 310,921,329
Other Power Supply Expense	3,305,960	2,690,373	2,273,008
Fuel Expense	89,366,668	76,078,258	60,653,812
Plant Operations and Management	1,359,126	1,418,704	1,556,966
Plant Maintenance and Maintenance Services	2,840,614	6,846,274	7,310,758
Transmission Operations & Maintenance	492,618	431,585	506,384
Other Operating Expense	947,914	654,977	696,074
Administrative and General	14,604,898	12,444,348	14,504,401
Depreciation	8,105,462	7,098,659	5,132,091
Taxes Other than Income Taxes	1,507,174	1,477,799	1,381,461
Interest Expense - Other	183,194	362,931	1,333,904
Total Operating Expenses	<u>\$ 541,079,455</u>	<u>\$ 428,717,371</u>	<u>\$ 406,270,188</u>
OPERATING MARGINS -			
Before Fixed Charges	\$ 60,136,942	\$ 54,696,426	\$ 29,835,936
FIXED CHARGES			
Interest on Long-Term Debt	\$ 10,160,989	\$ 9,410,006	\$ 9,749,359
Amortization of Debt Issuance Costs	259,154	259,154	246,430
Total Fixed Charges	<u>\$ 10,420,143</u>	<u>\$ 9,669,160</u>	<u>\$ 9,995,789</u>
OPERATING MARGINS -			
After Fixed Charges	<u>\$ 49,716,799</u>	<u>\$ 45,027,266</u>	<u>\$ 19,840,147</u>
NON-OPERATING MARGINS			
Interest and Capital Credit Income	\$ 2,777,126	\$ 3,813,784	\$ 5,169,349
Other Income	168,317	140,104	161,661
	<u>\$ 2,945,443</u>	<u>\$ 3,953,888</u>	<u>\$ 5,331,010</u>
NET MARGINS			
	<u>\$ 52,662,242</u>	<u>\$ 48,981,154</u>	<u>\$ 25,171,157</u>

See accompanying notes to consolidated financial statements.

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Margins	\$ 52,662,242	\$ 48,981,154	\$ 25,171,157
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities			
Depreciation and Amortization	8,364,617	7,357,813	5,352,544
Capital Credits	(207,036)	(126,716)	(209,360)
Deferred Charges	(4,225,105)	(5,382,421)	305,938
Deferred Credits	(50,717)	701,143	(385,774)
Accounts Receivable	4,263,665	(6,514,385)	51,562,901
Materials and Supplies	(88,972)	(147,088)	(3,999,366)
Prepayments and Other Current Assets	(270,333)	(157,252)	9,691
Payables and Accrued Expenses	1,707,476	1,960,444	(47,386,669)
Amounts Due to Members	14,467,434	(1,124,070)	(797,788)
Net Cash Provided by Operating Activities	<u>\$ 76,623,271</u>	<u>\$ 45,548,622</u>	<u>\$ 29,623,274</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to Utility Plant	\$ (5,074,276)	\$ (20,243,213)	\$ (45,602,788)
Additions to Other Property and Equipment Inventory	(8,134,563)	-	(26,500,000)
Cash Released From Escrow	-	42,750,000	-
Investments in Associated Organizations	(60,276)	7,511	126,803
Net Cash Provided by (Used in) Investing Activities	<u>\$ (13,269,115)</u>	<u>\$ 22,514,298</u>	<u>\$ (71,975,985)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Additions to) Reductions in Reserve Funds	\$ (103,739)	\$ (117,492)	\$ 830,934
Release of Restricted Cash - Held by Trustee	-	1,150,469	18,060,990
Retirement of Patronage and Contributed Capital	(15,000,000)	(2,925,046)	(2,010,322)
Payments on Long-Term Debt	(5,046,885)	(4,607,718)	(4,152,350)
Net Borrowings (Repayments) - Notes Payable	(600,000)	(10,757,139)	14,646,147
Net Cash Provided by (Used in) Financing Activities	<u>\$ (20,750,624)</u>	<u>\$ (17,256,926)</u>	<u>\$ 27,375,399</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 42,603,532	\$ 50,805,994	\$ (14,977,312)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>80,242,738</u>	<u>29,436,744</u>	<u>44,414,056</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 122,846,270</u>	<u>\$ 80,242,738</u>	<u>\$ 29,436,744</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest Paid During the Year	<u>\$ 10,072,505</u>	<u>\$ 10,713,107</u>	<u>\$ 10,595,685</u>
Income Taxes Paid During the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

25

	Patronage Capital	Contributed Capital	Accumulated Comprehensive Income (Loss)	Total
BALANCE DECEMBER 31, 2005	\$ 92,899,011	\$ 16,724,951	\$ (8,800,000)	\$ 100,823,962
Net Margins - 2006	\$ 25,171,157	\$ -	\$ -	\$ 25,171,157
Items of Comprehensive Income (Loss) Change in Loss on Hedging Contracts	-	-	2,400,000	2,400,000
Net Comprehensive Income (Loss)	\$ 25,171,157	\$ -	\$ 2,400,000	\$ 27,571,157
Patronage Capital Retirement	\$ (2,010,322)	\$ -	\$ -	\$ (2,010,322)
BALANCE DECEMBER 31, 2006	\$ 116,059,846	\$ 16,724,951	\$ (6,400,000)	\$ 126,384,797
Net Margins - 2007	\$ 48,981,154	\$ -	\$ -	\$ 48,981,154
Items of Comprehensive Income (Loss) Change in Loss on Hedging Contracts	-	-	(3,000,000)	(3,000,000)
Net Comprehensive Income (Loss)	\$ 48,981,154	\$ -	\$ (3,000,000)	\$ 45,981,154
Patronage/Contributed Capital Retirement	\$ (2,114,680)	\$ (810,366)	\$ -	\$ (2,925,046)
BALANCE DECEMBER 31, 2007	\$ 162,926,320	\$ 15,914,585	\$ (9,400,000)	\$ 169,440,905
Net Margins - 2008	\$ 52,662,242	\$ -	\$ -	\$ 52,662,242
Items of Comprehensive Income (Loss) Change in Loss on Hedging Contracts	-	-	(10,500,000)	(10,500,000)
Net Comprehensive Income (Loss)	\$ 52,662,242	\$ -	\$ (10,500,000)	\$ 42,162,242
Patronage/Contributed Capital Retirement	\$ (13,640,170)	\$ (1,359,830)	\$ -	\$ (15,000,000)
BALANCE DECEMBER 31, 2008	\$ 201,948,392	\$ 14,554,755	\$ (19,900,000)	\$ 196,603,147

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Organization and Operations

Golden Spread Electric Cooperative, Inc. (Golden Spread) and its wholly-owned operating affiliates, GS Electric Generating Cooperative, Inc. (GSEGC), Yoakum Electric Generating Cooperative, Inc. (YEGC), and Fort Concho Gas Storage, Inc. (FCGS) (collectively referred to as the Cooperative) are Texas corporations with headquarters facilities located in Amarillo, Texas. Golden Spread, GSEGC and YEGC are all Texas cooperative corporations, as defined by Texas statutes. FCGS is a Texas corporation formed by Golden Spread in 2008 to purchase a gas storage facility and related assets that are not yet in service (see Note 12). Oklaunion Electric Generating Cooperative, Inc., and Mid-Tex Generation and Transmission Electric Cooperative, Inc. are non-operating cooperative affiliates that had no operations during the periods reported in these financial statements.

Golden Spread's members are 16 rural electric distribution cooperatives that provide service to their retail member-consumers in the Panhandle, South Plains and the Edwards Plateau regions of Texas, in the Panhandle of Oklahoma, and in Southwestern Kansas. The member loads served by the Cooperative are located in the Southwest Power Pool (SPP) and the Electric Reliability Council of Texas (ERCOT).

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

The Cooperative is tax-exempt under Internal Revenue Code Section 501(c)(12) as long as 85 percent of its gross receipts (as defined under the Internal Revenue Code) are derived from sales to members. For each of the three years ended December 31, 2008, 2007 and 2006 the 85 percent test was met. Any revenues earned in excess of costs incurred are allocated to members of Golden Spread and are reflected as patronage capital equity in the accompanying consolidated balance sheets. FCGS was formed as a taxable corporation; however, significant operations have not commenced and, therefore, no tax liability has been incurred.

2. Summary of Significant Accounting Policies

The accounting records of the Cooperative are maintained in accordance with the accounting system prescribed by the Federal Energy Regulatory Commission for electric utilities.

Principles of Consolidation

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

Operating Revenues

Revenues for wholesale power sales are billed monthly. Unbilled revenues are accrued for amounts that are recoverable under rate tariffs but not yet billed. Amounts billed to members in excess of recoverable costs under rate tariffs are accrued as a reduction of revenues and as a liability to the members.

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

Depreciation

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

Transmission Plant	15 - 36 Years
Production Plant	15 - 30 Years
Gas Interconnection	15 Years
General Plant	5 Years

Debt Issuance Costs

Debt issuance costs are being amortized on a straight-line basis over the life of the underlying debt.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Cooperative considers cash and temporary cash investments as cash and cash equivalents.

Investments in Associated Organizations

Investments in associated organizations primarily consist of Golden Spread's ownership interest in Alliance for Cooperative Energy Services (ACES) Power Marketing LLC. The investment in ACES is accounted for using the cost method of accounting. At December 31, 2008 and 2007, Golden Spread's investment in ACES was \$587,717.

Other Property

Other property includes land, water rights and a gas storage facility and related assets including some producing oil wells and oil and gas reserves (see Note 12).

Concentrations of Credit Risk

The service areas of the member cooperatives are largely dependent on agriculture and, to a lesser extent, oil and gas.

The Cooperative 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. The Cooperative also maintains cash balances with two cooperative banks whose deposits are not federally insured.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and 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.

Reclassifications

Certain reclassifications have been made to the 2007 and 2006 financial statement balances to conform to the 2008 presentation.

3. Utility Plant

The components of utility plant are summarized as follows:

	December 31,	
	2008	2007
Plant-in-Service		
Land	\$ 2,826,034	\$ 2,826,034
Production Plant	205,022,707	204,455,214
Transmission Plant	46,285,283	27,586,600
General Plant	1,071,851	1,093,815
Total Electric Plant-in-Service	\$ 255,205,875	\$ 235,961,663
Construction Work in Progress	-	1,148,022
Total Electric Plant	\$ 255,205,875	\$ 237,109,685

At December 31, 2007, Construction Work in Progress represented construction of Special Facilities consisting of a substation and a transmission line for a member.

Special Facilities are assets that the Cooperative constructs or acquires for the benefit of a single member. The debt associated with Special Facilities is secured by mortgages with National Rural Utilities Cooperative Finance Corporation (CFC) on the Special Facilities. Special Facilities are excluded from the Trust Indenture (see Note 5) under which other Golden Spread property is pledged. All operating costs and the related debt service costs of Special Facilities are recovered from the members that benefit from the facilities.

In 2008, transmission facilities and substations of three Golden Spread member systems were transferred to Golden Spread under the terms of the Special Facilities Agreements. The net book value of the assets transferred was \$7,806,461.

4. Short-Term Credit Facilities

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

	December 31,	
	2008	2007
5.25% Borrowings under Line of Credit	\$ 3,289,008	\$ 3,889,008

The Cooperative has a \$95,000,000 line of credit for short-term financing with CFC at a floating rate of interest. This line of credit is also used to provide letters of credit to fuel suppliers. At December 31, 2008, \$4,500,000 in letters of credit had been issued under this arrangement.

The Cooperative incurred interest expense on short-term borrowings of \$183,194 in 2008, \$362,931 in 2007, and \$119,927 in 2006.

5. Long-Term Debt

Long-term debt is summarized as follows:

	December 31,	
	2008	2007
Variable-Rate Term Loans	\$ 83,715,600	\$ 86,140,800
5.75% Senior Secured Notes	49,272,400	51,026,400
5.40% Variable-Rate Mortgage Notes	2,769,464	2,953,487
4.10% Fixed-Rate Mortgage Note	928,165	1,020,893
5.50% Fixed-Rate Mortgage Notes	2,799,652	3,219,772
6.00% Fixed-Rate Mortgage Notes	403,810	-
6.10% Fixed-Rate Mortgage Notes	95,506	216,286
6.85% Fixed-Rate Mortgage Notes	3,093,039	3,121,742
7.00% Fixed-Rate Mortgage Note	2,752,594	489,335
7.15% Fixed-Rate Mortgage Note	531,696	-
7.30% Fixed-Rate Mortgage Note	754,416	-
8.05% Fixed-Rate Mortgage Note	2,278,407	-
8.10% Fixed-Rate Mortgage Note	1,559,872	-
	\$ 150,954,621	\$ 148,188,715
Less: Current Maturities	5,497,769	5,046,885
	\$ 145,456,852	\$ 143,141,830

The variable-rate term loans were issued upon GSEGC's purchase of an undivided 50 percent ownership interest in Mustang Station (see Note 9). Under the Credit Agreement with the lending banks, substantially all the assets of GSEGC are pledged to the lending banks as collateral, including GSEGC's interest in Mustang Station along with a portion of its cash balances, special deposits, and reserve balances totaling approximately \$11,135,000 and \$11,817,000 at December 31, 2008 and 2007, respectively. GSEGC's assets are excluded from the Trust Indenture (described below) under which other Golden Spread property is pledged. The debt is variable-rate debt equal to LIBOR plus an interest margin that ranged from 1.38 percent to 1.55 percent in 2006 through 2008, and that increases over time to 1.65 percent over the term of the loan. GSEGC has entered into agreements to hedge the entire outstanding principal at fixed equivalent rates ranging from 7.11 percent to 7.76 percent and increasing over time to fixed equivalent rates up to 7.88 percent. Final maturity of these notes is in 2020. The variable-rate term loans were issued in connection with a non-recourse project financing and are excluded from the Trust Indenture.

The Credit Agreement contains various covenants and restrictions, including requirements for maintenance of a debt service reserve equal to six months' debt service requirements, maintenance of a working capital reserve of \$3,500,000, maintenance of a specified minimum Debt Service Coverage ratio (DSC of 1.20 was required in 2006 through 2008), and restrictions on distributions. GSEGC was in compliance with the Credit Agreement at December 31, 2008 and 2007, and has met all the requirements necessary to pay distributions to Golden Spread. Such distributions totaled \$6,595,279 in 2008 and \$6,601,336 in 2007. At December 31, 2008, GSEGC held in excess of \$8,890,000 that was available for distribution to Golden Spread.

The senior secured notes are first mortgage obligations issued by Golden Spread in May 2005, through a private placement. The notes are secured by assets held under a Trust Indenture (totaling \$144,727,000 at December 31, 2008) including Mustang Station Unit 4 and Unit 5 (see Note 9), the Mustang land site and the Equipment Inventory reported on the consolidated balance sheets. The notes are fixed-rate obligations bearing interest

at 5.75 percent, with equal semi-annual principal and interest payments of \$2,331,550, payable over 20 years. For the years ended December 31, 2008 and 2007, Golden Spread accrued \$2,903,000 and \$2,991,000 in interest, of which approximately \$990,000 was capitalized in 2007. The Trust Indenture contains various covenants and restrictions including maintenance of minimum equity capital (as defined) of \$50 million, maintenance of a DSC of 1.25, and maintenance of secured assets under the trust equivalent to 1.10 times the debt outstanding. At December 31, 2008, the Cooperative had sufficient assets under the indenture to issue more than \$82 million in additional debt.

The variable and fixed-rate mortgages are due in quarterly installments and are secured by the Cooperative's transmission assets (with a book value of \$27,735,000 and \$15,929,000 at December 31, 2008 and 2007, respectively) and the revenues recoverable through the special facilities charges associated with the special facilities. Mortgage notes of \$7,812,792 were assumed by Golden Spread in 2008 in connection with the transfer of transmission and substation facilities by members, as described in Note 3.

As of December 31, 2008, annual maturities of long-term debt for the next five years are as follows:

2009	\$ 5,497,769
2010	7,197,907
2011	7,827,603
2012	10,518,399
2013	10,917,258

6. Derivative Instruments

The Cooperative has entered into interest rate swap agreements to hedge against changes in floating interest rates on the Variable-Rate Term Loans issued to finance Mustang Station. The interest rate swap agreements effectively convert floating rates into fixed rates so that the Cooperative can predict with greater assurance what its future interest costs will be and protect itself against increases in floating rates.

The Cooperative also routinely enters into physical commodity contracts for purchases of natural gas and has capacity sales contracts with its members. Both types of these contracts generally qualify for the normal purchase and sales exception under SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - An Amendment of Financial Accounting Standards Board (FASB) Statement No. 133."

Changes in the fair value of derivative instruments designated as cash flow hedges are recorded in Accumulated Comprehensive Income (ACI) for the effective portion. As of December 31, 2008 and 2007, the entire hedge is considered effective and is recorded in ACI.

The following reflects the amounts that are recorded in assets, liabilities, and in ACI at December 31, 2008 and 2007, for the Cooperative's derivative instruments:

	December 31,	
	2008	2007
Total Derivative Liabilities	\$ 19,900,000	\$ 9,400,000
Comprehensive (Gain) Loss on Cash Flow Hedges Before Reclassification Adjustment	\$ 10,500,000	\$ 3,000,000
Reclassification Adjustment (Gain) Loss Included in Net Income	-	-
Net Comprehensive (Gain) Loss from Derivative Instruments	\$ 10,500,000	\$ 3,000,000

Total unrealized comprehensive (gain)/loss on cash flow hedges represent the cumulative effect on the Cooperative's ACI balance from losses due to effective cash flow hedges since the adoption of SFAS No. 133. For the year ended December 31, 2008, the loss from effective cash flow hedges was \$10,500,000 resulting in a cumulative loss of \$19,900,000 at December 31, 2008.

As of December 31, 2008, the maximum length of time over which the Cooperative is hedging its exposure to the variability in future cash flows for forecasted transactions is 11 years. The Cooperative expects the entire hedge to remain effective throughout the term of the related debt and does not expect to reclassify ACI into earnings in the future.

7. Pension Benefits

Golden Spread provides pension benefits for substantially all of its employees through the National Rural Electric Cooperative Association Retirement and Security Program and Savings Plan. The Retirement and

Security plan is a defined benefit pension plan for which Golden Spread makes contributions to the plan equal to the amounts accrued for pension expense. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. Golden Spread's regular contributions to the plan in 2008, 2007, and 2006, were \$261,091, \$211,449, and \$105,104, respectively. In addition, in 2007 Golden Spread amended its plan to provide for a reduction in retirement age to 62 from 65 and an increase in the level of benefits. This resulted in a one-time charge for prior service costs of \$84,694, which was paid in 2007. The savings plan has been established under Code Section 401(K) of the Internal Revenue Code, as a defined contribution plan. Under the savings plan, Golden Spread matches employee contributions up to a maximum of four percent of each participating employee's salary. Employer contributions to the plan for the years ended December 31, 2008, 2007, and 2006 were \$42,656, \$37,766, and \$26,717, respectively.

Golden Spread has a deferred compensation plan to provide supplemental retirement benefits for certain highly compensated employees. At December 31, 2008 and 2007, the liability associated with the deferred compensation plan was \$987,707 and \$948,124, respectively. Such amounts are included in deferred credits in the accompanying financial statements. In addition, under the NRECA-sponsored plan, Golden Spread has been required to make contributions to NRECA to offset the ultimate funding of the liability by Golden Spread. Investments of \$955,067 and \$987,707 are included in deferred charges in the accompanying financial statements at December 31, 2008 and 2007, respectively. Upon the retirement of any employees who are participants in the plan, Golden Spread will fully fund any liability to the employee and NRECA will provide Golden Spread with a credit of an equal amount which will be used to reduce Golden Spread's required future contributions to the defined benefit pension plan discussed in the previous paragraph.

8. Rate Matters

Under the Golden Spread tariffs, Golden Spread bills its members based on estimated costs and usage. The tariffs provide that there will be a reconciliation of actual costs incurred compared to the amounts billed. Any over or under recovery of costs is refunded or surcharged in the subsequent year. Golden Spread recorded an over-recovery of \$15,170,000 and \$1,785,000 in 2008 and 2007, respectively. Such amounts are included in Amounts Due Members in the accompanying balance sheets. In 2006, Golden Spread recorded an under-recovery of \$1,033,000.

9. Generation

GSEGC and Denver City Energy Associates, L.P. (DCEA), an independent power producer and exempt wholesale generator (EWG), jointly own Mustang Station, an approximately 480 megawatt gas-fired combined-cycle generation station located near Denver City, Texas. The operation of the plant is governed by a Joint Operating Agreement (JOA) between the two owners. DCEA is operating agent for Mustang Station. Golden Spread owns and has leased the land on which Mustang Station is located under two long-term leases with GSEGC and DCEA.

In 2006 and 2007, Golden Spread completed construction of two 152 megawatt (summer rating) gas-fired combustion turbine-generators (Mustang Station Unit 4 and Unit 5) that are used primarily to serve peak load. The units are held by YEGC and located adjacent to Mustang Station on land owned by Golden Spread. Golden Spread leases the land to YEGC under a long-term lease. DCEA also serves as operating agent for Mustang Station Unit 4 and Unit 5.

Golden Spread purchases all of the capacity of the Mustang Station units under a Power Purchase Agreement with DCEA and two separate Unit Power Sales contracts with GSEGC and YEGC. Golden Spread, in its role as fuel manager, is responsible for the supply and transportation of natural gas for Mustang Station and Mustang Station Unit 4 and Unit 5.

10. Significant Customers

For the years ended December 31, 2008, 2007 and 2006, sales to Southwestern Public Service Company (SPS) represented between 21 and 25 percent of Golden Spread's total annual wholesale power sales.

Golden Spread has three 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, 2008, 2007 and 2006 sales to South Plains Electric Cooperative represented 14 to 16 percent of sales

to members (10 to 12 percent of total sales). In the same periods, sales to Lyntegar Electric Cooperative represented 11 to 14 percent of sales to members (8 to 10 percent of total sales) and sales to Deaf Smith Electric Cooperative represented 12 to 13 percent of sales to members (8 to 10 percent of total sales).

11. Commitments and Contingencies

Golden Spread purchases a portion of its energy from SPS under a Power Sales Agreement (PSA). The PSA provides for a specified annual capacity (megawatt) purchase commitment. The megawatt purchase commitment may be increased or decreased annually pursuant to the terms of the contract. Under the PSA, Golden Spread purchased 355 megawatts through May 2006, 370 megawatts through May 2007 and 430 megawatts through May 2008. Golden Spread currently has an annual megawatt commitment of 480 megawatts. In 2007 Golden Spread entered into an agreement with SPS to settle a number of outstanding proceedings pending before the FERC. As part of the settlement, Golden Spread agreed to request and SPS agreed to supply increases under the PSA such that peak load deliveries would be no more than 505 megawatts in 2009, and 525 megawatts from 2010 until termination of the PSA in 2012. The settlement agreement also provides for a Replacement Power Sales Agreement (RPSA) to become effective upon termination of the PSA. The RPSA has a seven year term, with Golden Spread purchasing 500 megawatts in years 1-3, 300 megawatts in years 4-5, and 200 megawatts in years 6-7.

Under purchase power agreements with DCEA and GSEGC, Golden Spread is obligated to purchase all of the capacity of Mustang Station.

Golden Spread served its Electric Reliability Council of Texas (ERCOT) members' loads in 2006 and 2007 with power purchased pursuant to wholesale power agreements with AEP Energy Partners, Inc. (AEP) and Luminant Energy Company LLC (formerly known as TXU Portfolio Management Company LP) (Luminant). The AEP agreement and, with a few exceptions, the Luminant agreements, expired at the end of 2007. Prior to expiration of those agreements Golden Spread took bids for replacement power supply arrangements and following extensive review of the supply offers, selected AEP Energy Partners, Inc. Golden Spread entered into a two year agreement for AEP to supply the full requirements of Golden Spread's ERCOT member loads commencing January 1, 2008.

On May 29, 2003, Golden Spread filed a petition against DCEA in Potter County District Court, seeking declaratory relief and damages due to DCEA's failure to properly apply the PPA. Golden Spread cited DCEA's failure to price energy sold to Golden Spread in accordance with the terms of the PPA, its failure to reimburse Golden Spread for the cost of replacement power purchased by Golden Spread during unexcused outages, and its failure to provide spinning reserves, as required by the PPA. DCEA filed an answer and counterclaim seeking recovery of payments withheld by Golden Spread. On February 3, 2006, the Potter County District Court issued an order granting a DCEA motion for summary judgment and denying Golden Spread's motion for summary judgment. In December 2006, in order to toll the further accrual of interest pending appeal, Golden Spread paid DCEA approximately \$3.9 million for amounts previously withheld, attorneys' fees and interest. Golden Spread appealed the District Court decision to the Seventh Court of Appeals in Amarillo, Texas. On October 16, 2008, the Court of Appeals issued a decision which affirmed in part and reversed in part the District Court judgment. Golden Spread filed a petition for review of the Court of Appeal decision with the Texas Supreme Court on February 17, 2009. There is not expected to be any material effect on the accompanying financial statements as a result of the ultimate outcome of the dispute.

In June 2005 Golden Spread discovered that DCEA had been improperly charging Golden Spread under the PPA for certain fuel costs. At the same time, GSEGC discovered that DCEA had improperly been allocating to GSEGC under the JOA the cost of fuel used by DCEA to generate and sell energy to Golden Spread. Following unsuccessful efforts to resolve the issues through negotiations, both disputes proceeded to arbitration as provided by the dispute resolution provisions of the PPA and JOA.

The two arbitration proceedings were subsequently consolidated and an evidentiary hearing was held in May 2006. In October 2006, the arbitrator issued an award of monetary damages to Golden Spread and GSEGC, and prohibited DCEA from engaging in the challenged practices. In November 2006, the Arbitrator issued a corrected award that addressed minor typographical errors in the award issued in October 2006. In December 2008 the Arbitrator issued an order resolving a dispute over damages.

Golden Spread and GSEGC initiated actions in state court to confirm the Award while DCEA initiated action to have the Award vacated or modified. In December 2008, the Potter County District Court issued a Final Judgment confirming the Award as to both Golden Spread and GSEGC and denying DCEA's motion to vacate or modify the Award. At the end of December the Honorable Abe Lopez, the judge who issued the judgment confirming the Award, retired from the bench and was succeeded by the Honorable Douglas Woodburn. In February 2009, DCEA filed a motion with the Potter County district court (Judge Woodburn) again requesting that the Award be vacated or modified, or in the alternative for a new trial.

The combined amount of the monetary damages, including interest accrued through March 31, 2009, are in excess of \$8.0 million. There is not expected to be any material effect on the accompanying financial statements as a result of the ultimate outcome of the dispute.

During 2008, Golden Spread was involved in several proceedings before the FERC involving the rates, terms and conditions governing the purchase of capacity and energy from SPS under the PSA. Golden Spread and SPS negotiated a settlement of these proceedings that, inter alia, provided, with one exception, for full resolution of past disputes over rates and charges and established a formula rate to be applied to purchases effective July 1, 2008. The single issue not fully resolved by the settlement - the allocation of demand costs - was addressed by alternative calculations of refunds depending upon the cost allocation method adopted by the FERC when it resolved one of the underlying proceedings as to certain other wholesale customers. On April 21, 2008, the FERC issued Opinion No. 501 in which it ruled that demand costs on the SPS system should be allocated on the basis of 12 monthly coincident peak demands. Golden Spread sought rehearing of this determination, arguing in support of a 3 CP cost allocation methodology, noting that the Commission had based its decision to adopt the 12 CP cost allocation methodology on incorrect evidence and that its decision was internally inconsistent. On June 18, 2008, the FERC issued an order granting rehearing for purposes of further consideration. Since that time FERC has taken no further action.

The settlement also provided that the demand allocation issue would be litigated in a pending case set for hearing during August 2008. The Administrative Law Judge assigned to that case granted summary judgment in favor of a 12 CP cost allocation on the basis of the FERC determination in Opinion No. 501, notwithstanding the fact the decision is not final. Golden Spread also sought rehearing of this determination and no action has been taken by the FERC since issuing an order granting rehearing for further consideration. If Golden Spread ultimately prevails on the 12 CP - 3 CP issue, it would receive additional refunds from SPS. The settlement also provides for a Replacement Power Sales Agreement (RPSA) which will become effective upon termination of the PSA in 2012. On April 17, 2008, the FERC approved the settlement.

The settlement further provided that Golden Spread would join with SPS in seeking findings from the Public Utility Commission of Texas (PUCT) and the New Mexico Public Regulation Commission (NMPRC) that the RPSA was prudent and in the public interest such that SPS would not be exposed to retail rate disallowances as a result of entering into that agreement. Pursuant to that commitment, SPS and Golden Spread have initiated proceedings before the PUCT and NMPRC seeking such determinations. If either the PUCT or the NMPRC declines to issue the requested orders, it will make power supply planning more difficult and uncertain for both SPS and Golden Spread. Under certain circumstances, an adverse retail rate determination based on the RPSA could allow SPS to change the price and quantity of power supplied under the RPSA.

Golden Spread also participated in several proceedings before the FERC involving SPP's development of wholesale power markets. The most significant proceeding involves the pricing of energy in the SPP's Energy Imbalance Service (EIS) Market when it is necessary for the SPP to trigger "violation relaxation limits" (VRLs) to permit energy flows over constrained transmission lines at levels in excess of what is normally allowed. EIS Market energy is priced at the Locational Incremental Price (LIP) and the SPP pricing methodology results in very high LIPs when VRLs are implemented. Due to the substantial transmission constraints into the SPS control area, the SPP frequently implements VRLs and that dramatically increases the LIPs applicable to both Golden Spread and SPP loads and resources. During 2007 and 2008, LIPs in the SPS control area have at times exceeded \$2,000 per MWh during SPP five minute dispatch intervals. During one hour on April 2, 2008, the LIP in the SPS control area peaked at \$4,039 for one five minute dispatch interval and averaged \$2,552 per MWh over the entire hour.

Golden Spread typically has excess energy available and is a net seller into the EIS Market. These sales have generated substantial margins during

high VRL influenced LIP intervals. However, as is the case with any utility, Golden Spread is at risk that a generator failure could leave it short of capacity. If that occurs, it may be exposed to expensive EIS Market purchases when VRLs are triggered. Golden Spread has limited this risk with a Replacement Energy Agreement with SPS. Under this agreement each will sell capacity and energy to the other at cost-based rates. However, the ability to make such sales depends upon excess generating capacity being available at the time. Because the SPS control area is both transmission and capacity constrained there is a risk that multiple generator outages could expose both companies to high LIPs. Golden Spread and SPS challenged the SPP LIP determinations during VRL events. Based on arguments raised by Golden Spread and SPS, in June 2007 the FERC issued an order making EIS Market energy sales at VRL influenced LIPs subject to refund, with a refund effective date of August 3, 2007. The FERC order also directed Golden Spread, SPS, and SPP to engage in settlement discussions. Those settlement discussions ultimately led to changes in practices and SPP protocols that already have had a significant effect in mitigating the frequency and duration of high LIP intervals as well as a settlement agreement that calls for certain future studies regarding VRL events. Under the settlement, which is pending before the FERC, no refunds will be payable by any participant in the EIS Market.

12. Acquisition of Gas Storage Facility

In October 2008, Golden Spread, through its wholly-owned subsidiary Fort Concho Gas Storage, Inc., acquired an existing underground natural gas storage facility and related assets, including oil and gas reserves and some producing oil wells. In connection with the acquisition, Fort Concho has initiated action to bring the wells in compliance with the rules and regulations of the Texas Railroad Commission at an estimated cost of \$3 million. Fort Concho is also planning improvements to the wells and equipment to facilitate rapid withdrawal and recharge of natural gas for use in quick-start generating units that form a part of Golden Spread's capital plan.

At December 31, 2008, approximately \$8 million had been expended to acquire and make necessary improvements to this investment which is included in Other Property in the accompanying balance sheet.

13. Related Party Transactions

From time to time the Cooperative rented an airplane for transportation needs from Top Prop Leasing, Inc. (Top Prop). Top Prop is wholly-owned by Robert W. Bryant, president and general manager of Golden Spread, who retired in January 2009. Transactions between the Cooperative and Top Prop were consummated on terms equivalent to those that prevail in arm's length transactions.

For the years ended December 31, 2008, 2007, and 2006, the Cooperative paid charges of approximately \$31,000, \$39,000, and \$42,000, respectively, for rentals from Top Prop.

14. Disclosures about Fair Value of Financial Instruments

Many of the Cooperative's fixed-rate obligations included in the accompanying financial statements are obligations that lack an available market with similar terms, conditions, and maturities. Accordingly, assumptions, estimations, and present value calculations were used for purposes of determining the fair value of such financial instruments. Estimated fair value has been determined by calculating the present value of financial instruments using the best available data.

Fair value for some amounts carried in the financial statements has not been calculated. The recorded book value for temporary investments approximates fair value given the short period to maturity. Long-term variable interest notes re-price frequently at market rates; therefore, the carrying amounts approximate fair value. Hedges used to offset the variable nature of these notes are recorded in Accumulated Comprehensive Income.

The estimated fair value of the Cooperative's financial instruments at December 31, 2008, is as follows:

	Carrying Value	Fair Value
CFC Fixed Rate Long-Term Debt	\$ 15,195,410	\$ 14,267,302
Senior Secured Notes	49,272,400	42,411,642
	<u>\$ 64,467,810</u>	<u>\$ 56,678,944</u>

The fair value of the Cooperative's CFC fixed rate long-term debt is calculated by computing the present value of the individual notes to the next repricing date using a discount rate that is the current CFC fixed interest rate available for long-term debt. The fair value of the senior secured notes is calculated using the discount rate that represents the rate at which the Cooperative could borrow those funds at December 31, 2008.

Independent Auditors' Report

Board of Directors
Golden Spread Electric Cooperative, Inc. and Affiliates
Amarillo, Texas

We have audited the accompanying consolidated balance sheets of Golden Spread Electric Cooperative, Inc. and Affiliates as of December 31, 2008 and 2007, and the related consolidated statements of income, equity and cash flows for the years then ended. In addition, we have audited the consolidated statements of income, equity, and cash flows for the year ended December 31, 2006. These consolidated financial statements are the responsibility of Golden Spread's management. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Affiliates as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended, and the results of their operations and their cash flows for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Bolinger, Segars, Gilbert & Moss LLP

Bolinger, Segars, Gilbert & Moss, L.L.P.

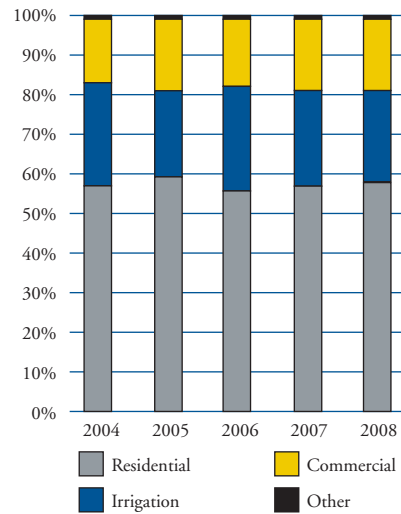
Certified Public Accountants

April 17, 2009

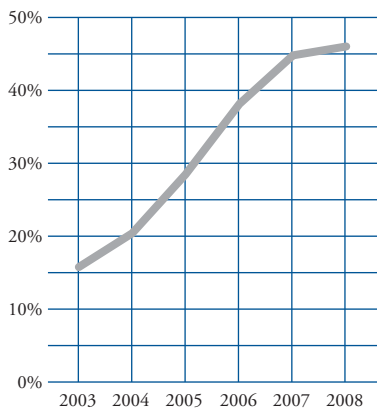
USAGE BY RATE CLASSIFICATION



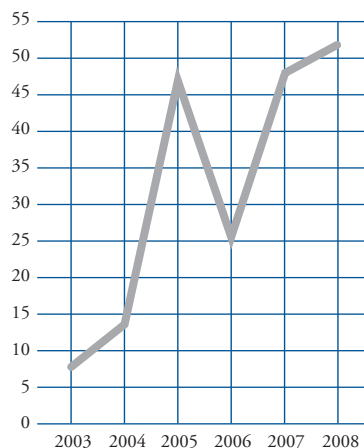
CUSTOMERS BY RATE CLASSIFICATION



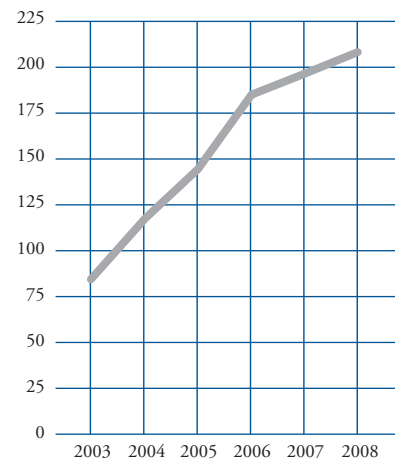
EQUITY RATIO



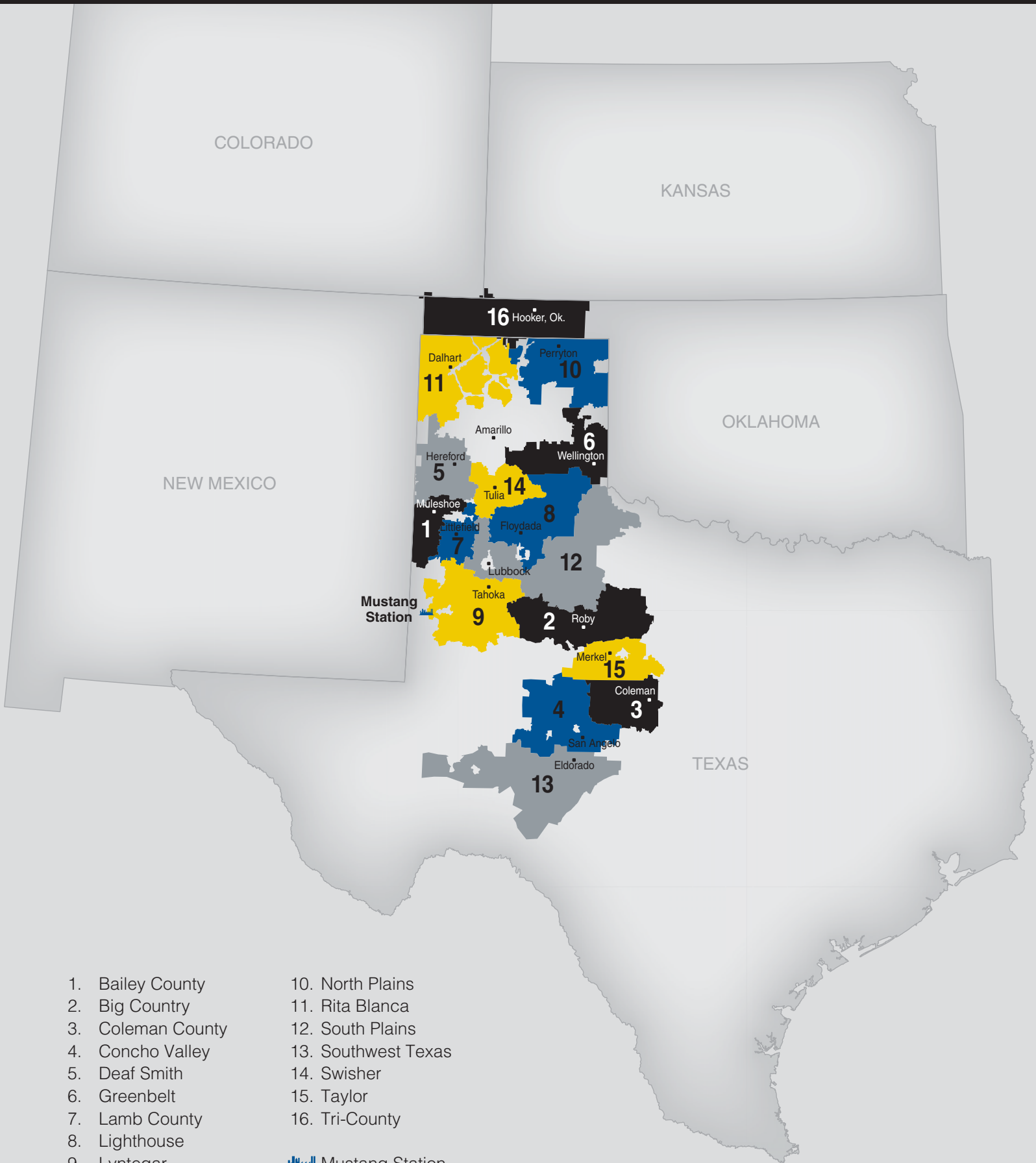
NET MARGINS IN MILLIONS OF DOLLARS



NET UTILITY PLANT IN MILLIONS OF DOLLARS



Cooperative Map



- 1. Bailey County
 - 2. Big Country
 - 3. Coleman County
 - 4. Concho Valley
 - 5. Deaf Smith
 - 6. Greenbelt
 - 7. Lamb County
 - 8. Lighthouse
 - 9. Lyntegar
 - 10. North Plains
 - 11. Rita Blanca
 - 12. South Plains
 - 13. Southwest Texas
 - 14. Swisher
 - 15. Taylor
 - 16. Tri-County
-  Mustang Station

Member Cooperatives' Information

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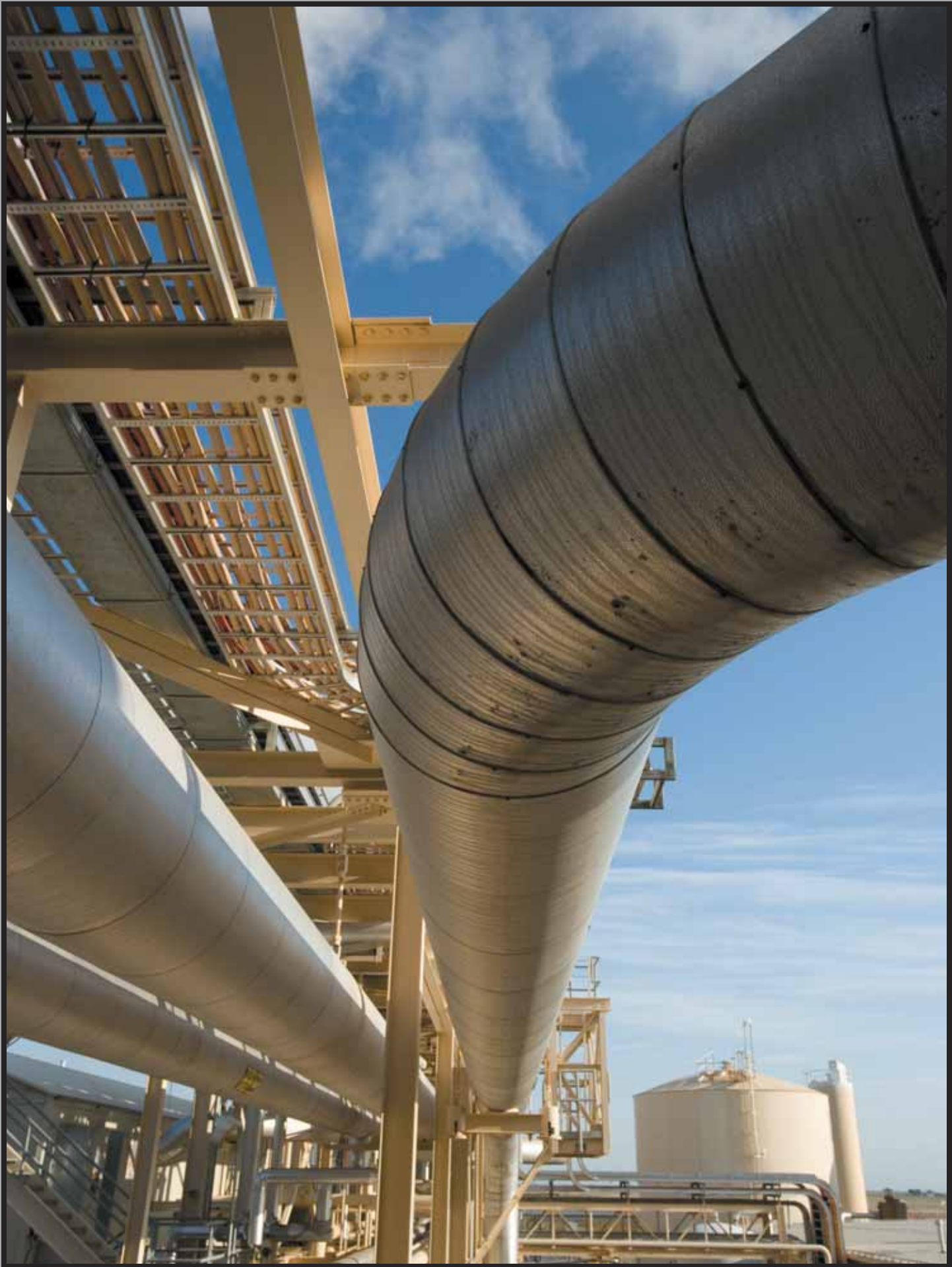
2008 SUMMARY

	BAILEY COUNTY	BIG COUNTRY	COLEMAN	CONCHO VALLEY	DEAF SMITH	GREENBELT
Number of Employees.	40	50	32	48	51	32
Total Services in Place.	10,384	17,164	12,412	14,744	15,157	5,876
Miles of Line.	2,814	5,284	3,774	3,910	4,672	2,362
Peak Demand (kW - NCP).	97,351	38,610	27,893	50,894	182,193	21,735
Sales (MWh).	290,610	213,274	117,906	210,247	598,760	108,930
Net Utility Plant.	\$ 27,664	\$ 37,134	\$ 16,272	\$ 46,641	\$ 37,569	\$ 19,515
Assets	\$ 43,763	\$ 53,087	\$ 23,992	\$ 58,181	\$ 75,688	\$ 26,777
Margins Plus Equities	\$ 25,848	\$ 26,078	\$ 11,736	\$ 21,147	\$ 54,098	\$ 6,365
Revenues.	\$ 36,469	\$ 28,071	\$ 14,484	\$ 26,461	\$ 71,840	\$ 13,316
Cost of Purchased Power.	\$ 28,900	\$ 18,003	\$ 10,095	\$ 17,707	\$ 58,679	\$ 8,835
Interest on Long Term Debt.	\$ 726	\$ 1,282	\$ 575	\$ 1,712	\$ 434	\$ 652
Net Margins	\$ 5,273	\$ 3,826	\$ 1,784	\$ 2,317	\$ 11,693	\$ (697)
DSC	3.01	2.27	1.17	1.40	6.98	(0.19)
Equity Ratio (%).	59.06	49.12	48.92	36.35	71.48	23.77
Net Plant to Net Debt	1.88	1.88	1.76	1.51	5.27	1.26

	LAMB COUNTY	LIGHTHOUSE	LYNTEGAR	NORTH PLAINS	RITA BLANCA	SOUTH PLAINS
Number of Employees.	42	38	108	32	26	136
Total Services in Place.	12,183	9,766	24,944	7,435	7,424	58,065
Miles of Line.	2,978	4,219	6,882	3,556	3,103	9,458
Peak Demand (kW - NCP).	116,519	98,605	185,557	57,119	56,705	290,892
Sales (MWh).	367,212	280,749	594,045	217,791	272,669	1,313,183
Net Utility Plant.	\$ 32,012	\$ 31,950	\$ 83,583	\$ 28,026	\$ 15,209	\$ 140,031
Assets	\$ 57,188	\$ 52,880	\$ 143,632	\$ 44,067	\$ 35,784	\$ 214,130
Margins Plus Equities	\$ 25,629	\$ 27,392	\$ 72,238	\$ 22,796	\$ 31,490	\$ 74,471
Revenues.	\$ 42,661	\$ 34,560	\$ 70,961	\$ 26,741	\$ 27,753	\$ 135,637
Cost of Purchased Power.	\$ 34,142	\$ 27,198	\$ 54,165	\$ 19,520	\$ 22,347	\$ 110,542
Interest on Long Term Debt.	\$ 1,303	\$ 1,169	\$ 3,002	\$ 784	\$ 54	\$ 5,158
Net Margins	\$ 5,977	\$ 4,104	\$ 5,963	\$ 3,941	\$ 4,355	\$ 12,115
DSC	2.15	1.69	1.30	2.10	8.36	1.79
Equity Ratio (%).	44.82	51.80	50.29	51.73	88.00	34.78
Net Plant to Net Debt (1).	1.64	1.44	1.40	1.94	(2.50)	1.60

	SOUTHWEST TEXAS	SWISHER	TAYLOR	TRI-COUNTY	TOTAL
Number of Employees.	42	37	68	87	869
Total Services in Place.	11,837	9,955	22,414	25,382	265,142
Miles of Line.	5,127	3,520	4,731	4,842	71,232
Peak Demand (kW - NCP).	28,004	75,641	77,840	137,569	1,543,127
Sales (MWh).	173,778	197,352	262,998	729,024	5,948,528
Net Utility Plant.	\$ 25,235	\$ 17,121	\$ 53,698	\$ 111,014	\$ 722,675
Assets	\$ 35,361	\$ 35,846	\$ 75,133	\$ 140,492	\$ 1,116,003
Margins Plus Equities	\$ 25,455	\$ 23,163	\$ 25,546	\$ 29,507	\$ 502,959
Revenues.	\$ 21,898	\$ 26,367	\$ 36,094	\$ 71,745	\$ 685,057
Cost of Purchased Power.	\$ 14,813	\$ 20,937	\$ 22,775	\$ 52,395	\$ 521,055
Interest on Long Term Debt.	\$ 340	\$ 432	\$ 2,760	\$ 5,277	\$ 25,660
Net Margins	\$ 3,446	\$ 3,117	\$ 4,483	\$ (366)	\$ 71,331
DSC	3.36	1.62	1.70	0.80	1.75
Equity Ratio (%).	71.98	64.62	34.00	21.00	45.07
Net Plant to Net Debt	4.60	2.92	1.31	1.23	1.66

(1) Rita Blanca's cash and investments are greater than its debt, resulting in a negative ratio.
Dollar values are in thousands.





STAFF

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