



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.  
**A YEAR OF TRANSITION**  
 2009 ANNUAL REPORT





GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

## OVERVIEW

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 more than 213,000 Member-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 portions of Southwestern Kansas and Southeastern Colorado. Golden Spread operates in two reliability regions – the Southwest Power Pool and the Electric Reliability Council of Texas.

Golden Spread owns 550 megawatts of generating capacity and controls the output of 240 megawatts of additional capacity under a power purchase agreement. In addition, Golden Spread meets the remainder of its capacity needs through the purchase of approximately 700 megawatts of capacity and energy from other power suppliers.



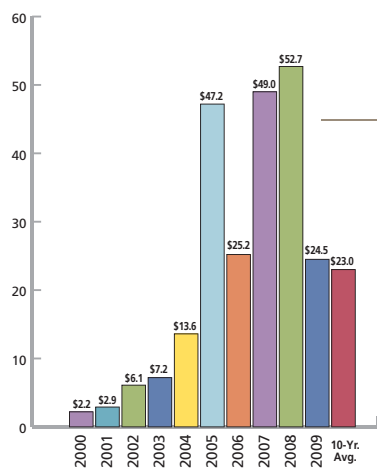
# GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

## FINANCIAL HIGHLIGHTS

	2009	2008
<b>CONDENSED FINANCIAL DATA</b>		
Operating Revenues	\$ 345,640,958	\$ 601,216,397
Operating Expenses	\$ 311,751,484	\$ 541,079,455
Operating Margins, before Fixed Charges	\$ 33,889,474	\$ 60,136,942
Fixed Charges	\$ 10,758,892	\$ 10,420,143
Non-Operating Margins	\$ 1,341,869	\$ 2,945,443
Net Margins	\$ 24,472,451	\$ 52,662,242
Total Assets	\$ 414,066,909	\$ 429,192,230
Long-Term Debt	\$ 148,291,769	\$ 150,954,621
Patronage Capital and Contributed Capital	\$ 222,975,598	\$ 216,503,147
<b>FINANCIAL RATIOS</b>		
Total Equity (%)	50.71	45.81
Current Ratio	2.96	2.61
Debt Service Coverage Ratio	2.69	4.51
Debt/Funds Available for Debt Service	3.47	2.17
Total Equity/Total Capitalization (%)	58.08	56.04
Net Plant/Net Debt	4.64	8.73
<b>OPERATING STATISTICS</b>		
Average Sales Price/MWh – Members	\$ 54.05	\$ 78.69
Average Sales Price/MWh – Nonmembers	\$ 36.41	\$ 79.23
Energy Sales to Members (MWh) - Total	5,683,372	5,512,647
Energy Sales to Nonmembers (MWh)	973,788	2,090,060
Total Energy Sales (MWh)	6,657,160	7,602,707
Member Peak Demand (MW) - Total	1,290	1,323
Member System Load Factor (%)	50.28	47.56
Energy Generated (MWh)	1,106,991	1,273,792
Energy Purchased (MWh)	5,718,545	6,487,139

### 10-Year Net Margin History

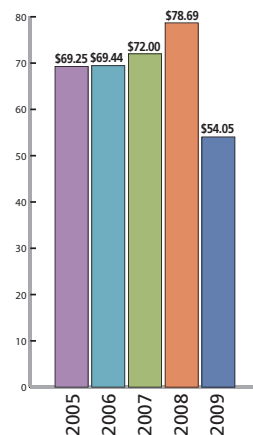
(in Millions of Dollars)



High natural gas prices and the availability of excess energy in 2005, 2007 and 2008 resulted in substantial margins from nonmember sales in those years.

### Average Rate to Members

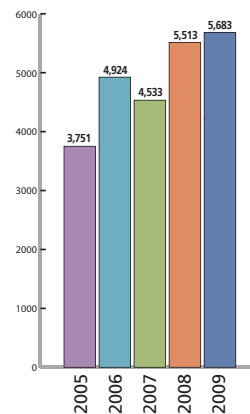
(in Dollars per Megawatt-Hours)



Average rate to Members fluctuates with changes in natural gas prices.

### Sales to Members

(in Millions of Kilowatt-Hours)



Other than fluctuations caused by weather conditions, Member sales have shown steady growth.



Golden Spread faces ongoing transitions secure in the knowledge that it has a flexible business model, a strong financial position, a dedicated team of highly skilled professionals and a Membership committed to its success.





LETTER FROM THE PRESIDENT

# TRANSITION

The theme of this year's annual report, A Year of Transition, appropriately describes Golden Spread in 2009. In a sense, Golden Spread has been "in transition" since we incorporated in 1984. In 1987, we became a FERC regulated public utility when we commenced energy sales to our original 11 Members. In 2000, we transitioned from a full requirements customer of Southwestern Public Service Company (SPS) to a utility owning some of the generation used to serve our Member loads. By 2007, we transitioned to a utility owning or controlling almost two-thirds of the capacity used to serve our Members.

In 2009, in response to changes in the energy industry and expanding Member needs, Golden Spread embarked upon what may be its most significant transition ever: the process of transitioning from a cooperative relying primarily on outside services for key operational functions to a robust organization with comprehensive internal professional capabilities.





## TRENDS

This latest transition is driven by the substantial and increasing demands being placed on Golden Spread. These demands range from day-to-day logistical challenges, such as the gathering and proper processing of data needed to prepare wholesale power bills, to long range plans such as the proper planning for developments in the industry, including the new Southwest Power Pool (SPP) and Electric Reliability Council of Texas (ERCOT) wholesale market designs. Golden Spread and its Members also face new and expanded regulatory scrutiny regarding compliance with both competitive market rules and system reliability requirements. And, of course, there is the need for new resources. Our 10-year resource plan calls for the addition of approximately 1,300 megawatts of new capacity.

## THE TEAM

In response to these growing demands, we have expanded our staff to include a chief financial officer, a staff attorney, a construction project manager and professionals with expertise in energy market analysis and operations. Other key personnel additions include an information technology specialist, highly experienced billing personnel, and other important operations personnel.

Although Golden Spread will transition to a power supply cooperative with comprehensive internal professional capabilities, we will continue to rely on a core group of legal and consulting firms for major projects and strategic planning. Over the past 25 years, these outside professionals have contributed significantly to Golden Spread's success, and their sound advice and counsel remain a valued asset of our organization.

## TRANSITION TO RENEWABLE RESOURCES

Of course, supplying reliable and competitively priced energy to our Members remains the primary purpose of Golden Spread. During 2009 our professional team planned a new generation resource that will assist Golden Spread with another major transition: increasing its ability to take advantage of renewable resources. The new generation resource will consist of eighteen 9.3 megawatt "quick-start" generating units to be located near Abernathy, Texas. In the summer months, this new 168 megawatt power plant, called Antelope Station, will provide the capacity necessary to meet our Members' growing peak loads. During the remainder of the year, the new plant will enable Golden Spread to purchase energy at low cost when high levels of wind generation depress

market prices, while avoiding the risk of price spikes when wind production drops. As market prices increase, the “quick-start” generators will come on line to supply lower cost energy to replace market purchases. Antelope Station’s responsiveness will also help Golden Spread react to changes in Member loads and other market conditions in the Southwest Power Pool. Overall, Antelope Station will enhance Golden Spread’s ability to minimize the cost of energy supplied to its Members.

## TECHNOLOGY

The ability to maintain reliability and minimize the delivered cost of power can also be enhanced by technology. A key focus of the national energy policy is the transition to a “Smart Grid,” where new technology will reduce system outages, improve the efficiency of energy production and pave the way for new products and services. During 2009 Golden Spread successfully applied for a \$17 million grant from the Department of Energy to accelerate the deployment of Smart Grid technology by our Members. In addition to advanced metering equipment, which will allow close monitoring of energy consumption, Smart Grid technology may offer practical benefits such as remote restarting of irrigation pumps following load interruptions. Many Members of Golden Spread are already installing Smart Grid technology, and this grant will accelerate that process.

## TEAMWORK

The Year 2009 also marked my first full year as President and General Manager of Golden Spread. During that time I have come to truly appreciate the accomplishments of my predecessor, Robert W. Bryant. Bob had the vision to implement a power supply business model that is unique among cooperatives. This model has provided for a strong financial foundation while offering our Members significant control over their power supply. We continue to strategically expand on this business model by relying on the long-term staff and consultants that are the core of our organization. Thanks to the dedication of our existing staff and consulting team, new staff members quickly embrace Golden Spread’s Member-focused cooperative culture and become productive players on the Golden Spread team.



## TRUE COMMITMENT



A sound business model and a highly qualified and dedicated staff and experienced consultants have contributed to Golden Spread's past success, but that success would not have been possible without the commitment and courage of our Members. Beginning with the distribution cooperative board members, who in 1984 had the foresight to form and then join Golden Spread, we have been blessed with a Membership that recognizes the need to make Golden Spread a strong organization that can provide for Members' long-term power supply. Time and again, our Members have demonstrated their willingness to make the commitments necessary for Golden Spread's success. Our Members are Golden Spread's greatest asset.



## TRADITION OF EXCELLENCE

Uncertainties created by anticipated climate change legislation make power supply planning particularly challenging for all electric utilities. Federal legislation will likely include mandatory renewable portfolio standards and limits on greenhouse gas emissions, both of which will require the transition from historic power supply choices, such as coal-fired generation, to a new resource mix that includes both renewable resources and necessary backup capacity.

Golden Spread is actively preparing to meet this challenge. We have put in place a resource portfolio that includes almost 800 megawatts of flexible, state-of-the-art generation. The 2011 commercial operation of Antelope Station will significantly improve our generation mix. Most importantly, however, Golden Spread faces this transition secure in the knowledge that it has a flexible business model, a strong financial position, a dedicated team of highly skilled professionals and a Membership committed to its success. I am also grateful to the Golden Spread Board of Directors for what they did to instill a tradition of excellence before I arrived at Golden Spread. It is these characteristics that allow Golden Spread to face future challenges with confidence.

A handwritten signature in blue ink, appearing to read 'Mark W. Schwartz'.

Mark W. Schwartz  
President and General Manager



Transmission is the key to reliable and economic operation of structured wholesale power markets.



The Real Time Market maintains reliability by adjusting generation and ancillary services in response to actual demands for energy.



The traditional approach to power supply planning is no longer viable in the markets where Golden Spread operates.





THE POWER SUPPLY

# TRIANGLE

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THE GOLDEN SPREAD CHALLENGE: PROVIDING RELIABLE AND AFFORDABLE POWER WITH AN INDUSTRY IN TRANSITION

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Power supply planning is an inherently complex process. However, the unprecedented transformation now occurring in the electric utility industry is making this already complex process significantly more challenging. Policy makers and industry participants are engaged in an effort to expand competitive wholesale power markets while trying to reduce the CO<sub>2</sub> emissions associated with electric generation. For this transformation to succeed, industry participants must construct new transmission facilities, develop and implement more sophisticated energy markets, and add new low or zero emission generating resources. Effectively dealing with each of these three segments of the Power Supply Triangle – Transmission, Energy Markets and Generation – is critical to developing a reliable and affordable power supply. The sections that follow describe Golden Spread’s view of this industry transformation and the steps it is taking to respond to these challenges.



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# TRANSMISSION



Transmission is the key to reliable and economic operation of structured wholesale power markets. Golden Spread serves Member loads in two separate markets: the Electric Reliability Council of Texas (ERCOT) and the Southwest Power Pool (SPP). Almost all of the existing transmission infrastructure in these areas was built dozens of years ago by vertically integrated utilities and was designed to move power from the transmission owners' generation to the transmission owners' loads. Historically, each of these transmission owners operated control areas in which they were responsible for the adequacy and reliability of the power supply. The customers located in these control areas paid for the cost of these local transmission facilities.

Expansion of the transmission grid is key to the successful transformation of the local regulated utility monopoly structure to multi-state competitive wholesale power markets. Significant amounts of money must be invested in the high voltage transmission facilities needed to support market operations and to move vast quantities of renewable energy from sparsely populated areas, where wind is abundant, to densely populated load centers hundreds of miles away. Because Golden Spread's Member loads are already located in areas where wind energy is abundant, this massive new transmission investment is likely to offer only limited short-term benefits for its Members. However, Golden Spread has always advocated development of a robust transmission grid because all consumers benefit from a strong transmission system that enhances reliability and allows the lowest cost resources to serve load. Golden Spread also believes that every transmission user should share in the cost of developing and supporting the grid because all transmission users benefit from a robust grid.



Fortunately, Golden Spread's views are taking hold. In ERCOT, the Texas Legislature passed a law calling for 5,880 megawatts (MWs) of renewable generation in Texas by 2015, with a target of 10,000 MWs by 2025. The Public Utility Commission of Texas (PUCT) went even further, calling for as much as 18,500 MWs of wind generation in the state. To support the wind generation build out, the PUCT is on schedule to approve construction of new transmission lines extending through West Texas into the Texas Panhandle at a projected cost of more than \$5 billion. These new lines will support interconnection of approximately 4,500 MWs of wind power, representing approximately \$10 billion of new generation investment. Recognizing the area-wide benefits offered by new transmission, all transmission costs in ERCOT are aggregated and charged to transmission customers at the same rate, without regard to where those customers are located on the grid. This method of transmission cost allocation is referred to as "postage stamp" pricing.



The SPP also is moving forward with transmission expansion. Unlike ERCOT, where transmission is confined to a single state, the SPP serves loads located in several states. Due to the multi-state nature of the SPP, a critical player in its planning process is the SPP Regional State Committee (RSC). The RSC is comprised of retail regulatory commissioners from agencies in Arkansas, Kansas, Missouri, Nebraska, New Mexico, Oklahoma and Texas. The SPP open access transmission tariff gives the RSC authority to determine the cost allocation method to be used for new transmission facilities within the SPP. In October 2009, the RSC voted to support a cost allocation process for new, high-voltage transmission lines (300 kV and above) where all transmission users pay a load ratio share of the costs. The SPP Board of Directors adopted the RSC approved approach. This cost allocation method moves SPP closer to the ERCOT postage stamp method.

### SPP/ERCOT Map



Unlike ERCOT, where transmission is confined to a single state, the SPP serves loads located in all or part of eight states.



To support the wind generation buildout, the PUCT is on schedule to approve construction of new transmission lines extending through West Texas into the Texas Panhandle at a projected cost of more than \$5 billion.



## ENERGY MARKETS

If transmission defines the geographic scope of wholesale power markets, market design and market rules define the efficiency and operation of those markets. Efficient wholesale power markets can provide significant savings to consumers, but history has shown that poorly designed or implemented markets can create havoc and result in painful price spikes. In 2001, when California experienced skyrocketing wholesale energy prices and repeated blackouts, much of the blame fell on a poorly designed wholesale power market. Stakeholders in both ERCOT and the SPP are taking great care in their market design efforts to avoid the mistakes made in the development of other power markets.

Designing a wholesale power market is neither easy nor inexpensive. ERCOT places the cost of developing its proposed Nodal Market at \$660 million. This money will be spent on custom-designed software and other infrastructure to support market operations. The ERCOT Nodal Market is scheduled to become operational in late 2010.

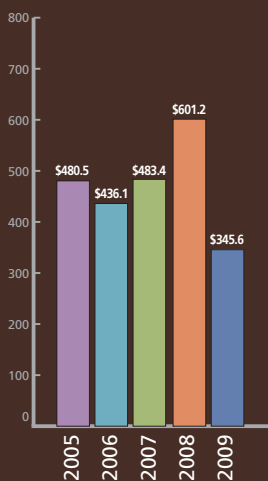
The projected operation of the new SPP wholesale power market lags the ERCOT Nodal Market by several years and is not scheduled to become operational until 2014. However, the estimated cost to develop the new SPP market is well below the ERCOT Nodal Market price tag. The SPP is trying to keep costs down by relying, where possible, on computer software that has already been developed and deployed in other wholesale power markets. While the total cost savings that can be achieved with a properly structured and efficiently operated wholesale power market are unknown, one SPP study places the market benefit at \$150 million per year.

The structured markets evolving in ERCOT and the SPP are sometimes referred to as “Day 2 Markets.” In a Day 2 Market, much of the economic decision-making about generation dispatch is made on a day-ahead basis. Electric generators submit offer prices at which they are willing to sell energy, and the Day 2 Market operator selects the lowest-priced offers to serve the load bid into the market for the next day. These markets rely on competition to keep offer prices low. Sellers who set offer prices too high will not be selected for dispatch and will lose sales opportunities. When transmission limitations prevent the market operator from taking the lowest bid, the market operator selects the next lowest-priced energy that can serve load given the transmission constraints. This is known as a “security-constrained economic dispatch.”

Voltage support, reactive power, regulation and operating reserves, collectively referred to as “ancillary services,” are essential to the reliable operation of the transmission system. As is the case with energy, in the Day 2 Markets some of these ancillary services will be obtained on a competitive basis. Market participants will offer a price to supply ancillary services and, subject to reliability constraints, the market operator will select the lowest priced offers.

### Operating Revenues

(in Millions of Dollars)



Operating revenues are affected by the volume of megawatt-hour sales and fuel prices.

Finally, while most of the economic decision-making is done on a day-ahead basis, a Day 2 Market also includes a “Real Time Market.” The Real Time Market is a very important part of market operations because forecasted needs for energy are only that; actual energy needs during the day are affected by weather conditions and other factors while scheduled generation can be affected by equipment failure or other events. The Real Time Market maintains reliability by adjusting generation and ancillary services in response to actual demands for energy.

Day 2 Markets will have a tremendous impact on the cost of power to Golden Spread’s Members. For this reason, Golden Spread has dedicated significant staff and consulting resources to monitor market developments, offer suggested improvements to proposed market designs and, when necessary, challenge provisions that are deemed inappropriate or unfair.

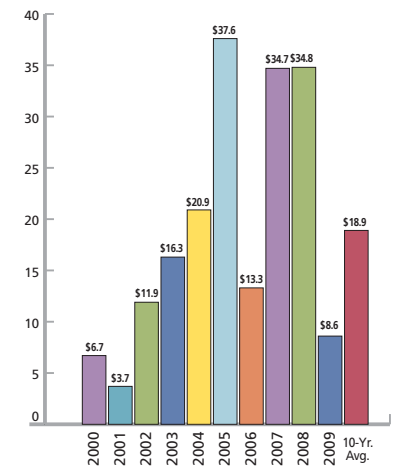
Golden Spread is well positioned to participate effectively in the SPP Day 2 Market. Golden Spread now owns or controls almost 800 MW of efficient and relatively new generation and is installing additional capacity to meet load growth and expiring wholesale power contracts. As reviewed in the following discussion of generation, Golden Spread’s SPP generation portfolio will allow it to purchase energy from the market when prices are low and, when market prices are high, generate energy to serve Member loads and to make sales into the market.

Golden Spread now relies on an economically attractive full requirements wholesale power contract with AEP Energy Partners to supply its ERCOT Member loads. This contract is due to terminate in December 2013. Unless that agreement is extended or a suitable replacement agreement is obtained, Golden Spread will take action to supply its ERCOT Member loads with its own generation. This could involve either construction of new generation in ERCOT or development of transmission interconnections that give Golden Spread’s SPP based generation access to the ERCOT market.



### Margins from Nonmember Sales

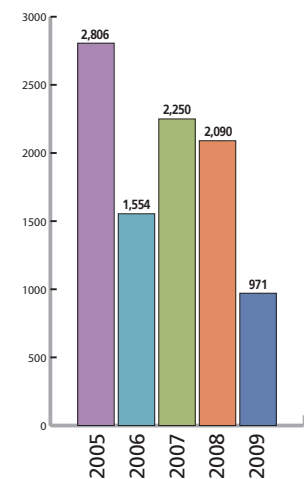
(in Millions of Dollars)



High natural gas prices and the availability of excess energy in 2005, 2007 and 2008 resulted in substantial margins from nonmember sales in those years.

### Sales to Nonmembers

(in Millions of Kilowatt-Hours)



Sales to nonmembers declined in 2009 due to dedication of Golden Spread resources to serve Member loads and the addition of a new generation resource in Golden Spread’s control area of the SPP.

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Golden Spread reassessed its remaining power supply options and ultimately determined that the resource plan offering the most flexibility, reliability and long-term economic benefits included a combination of quick-start generation and the integration of wind energy.



# GENERATION

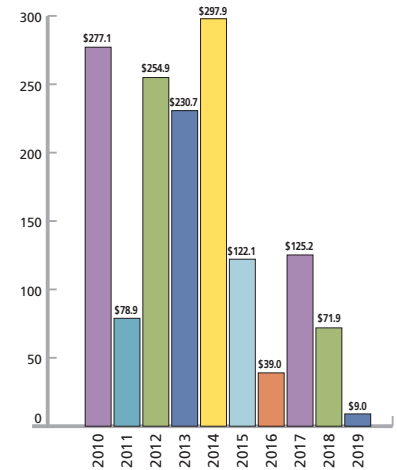
The third segment of the Power Supply Triangle is generation. Even with the development of a robust transmission grid and well-designed and operated wholesale power markets, the cost of generation is by far the largest component of wholesale power costs. Managing the cost of generating electricity is a major objective of electric utilities and policymakers.

Traditionally, utilities have minimized the cost of power by installing and operating a carefully balanced generation portfolio consisting of base load, intermediate load and peaking load generation. Base load units, such as coal or nuclear, are very expensive to construct but produce energy at a low variable cost. Once committed to service, these units generate electricity around the clock and are shut down only for scheduled maintenance. Intermediate and peaking units, usually fueled by oil or natural gas, are committed to service seasonally or daily to meet changes in customer demand. Although these units have higher variable costs, they are economical because they operate fewer hours and have lower fixed costs than base load units.

Historically, utilities forecast near-term hourly loads and scheduled their generation as they saw fit to supply those forecasted loads. Therefore, it was not necessary to design power plants with significant operational flexibility. For example, starting a base load plant and bringing it to full output can take as much as a full day. Even intermediate and peaking plants can take hours to start, and once shut down might be subject to mandatory downtimes of many hours before restarting.

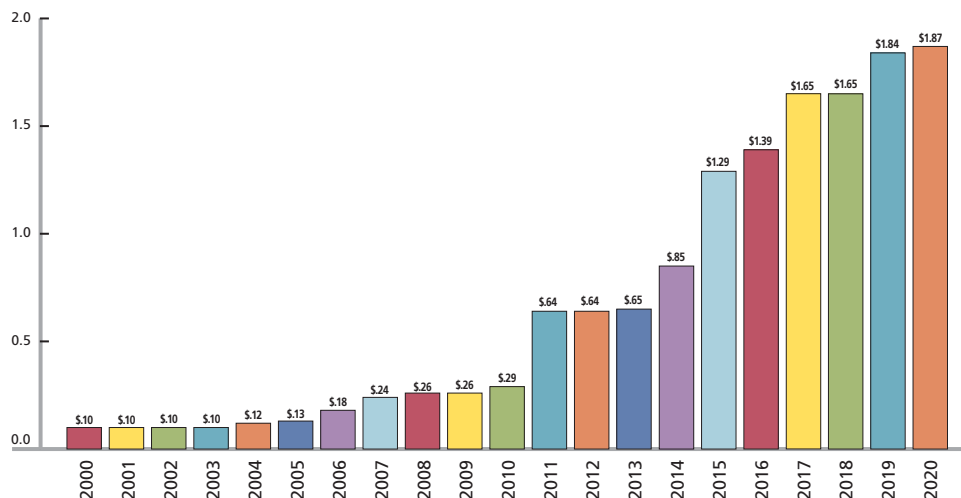
## Planned Capital Expenditures

(in Millions of Dollars)



## Investment in Utility Plant in Service

(in Billions of Dollars)



Golden Spread is embarking on a capital expansion program of \$1.6 billion over the next 10 years to build sufficient generating capacity to meet substantially all its Members' load requirements.



Wind generation is intermittent, and a sudden drop in output that can occur with changing wind conditions poses a reliability challenge.

The traditional approach to power supply planning is no longer viable in the markets where Golden Spread operates. In the new wholesale power markets, there will be a single control area, so utilities no longer will have absolute autonomy to determine which of their generating units will be started and operated to serve load. When generating units are offered into the market, the market operator will determine which units will operate by evaluating offer prices and security constraints. Utilities are likely to retain the right to designate certain generators, such as large coal or nuclear plants, as “must-run” units, but the new wholesale markets will affect the economics of those decisions.

Also, the tremendous growth of wind generation is creating entirely new operational problems. Wind generation is intermittent, and a sudden drop in output that can occur with changing wind conditions poses a reliability challenge. In fact, the reliability concerns over wind generation are so significant that the SPP established a Wind Integration Task Force. One fact is clear: a large amount of wind generation requires a large amount of dispatchable generation to back it up. The ideal backup unit is one that can be started and brought to full output quickly and repeatedly.

Public policy changes are also affecting both the long-term economics and the available options for base load generation. Obtaining the permits needed to construct a coal-fueled generating plant is extremely difficult in today’s political climate due to environmental concerns about CO<sub>2</sub> emissions. On a megawatt-hour generated basis, a coal-fired generation facility emits more than twice the CO<sub>2</sub> as is released by a natural gas-fuel combined cycle plant. Even if the permits necessary to construct a coal plant can be obtained, the potential for high taxes on CO<sub>2</sub> emissions increases the risk that a coal plant built with current technology will prove to be a poor long-term economic choice.

In 2009, Golden Spread reacted to these changes in the industry by reassessing its resource plans and undertaking two bold initiatives. At the beginning of the year Golden Spread’s resource plan included supplying its long-term base load energy needs from a 400 megawatt interest that it expected to acquire in a new coal-fueled plant Sunflower Electric Power Corporation was planning to construct at its Holcomb Station in Kansas. However, regulatory and environmental challenges have indefinitely delayed the Holcomb Station expansion. Given that delay and the uncertainty of the long-term economics of coal generation, Golden Spread concluded that the Holcomb Station project was no longer a viable **near-term** supply option.

With the Holcomb Station expansion off the table, Golden Spread reassessed its remaining power supply options and ultimately determined that the resource plan offering the most flexibility, reliability and long-term economic benefits included a combination of quick-start generation and wind energy. The first step in implementing this plan is the construction of Antelope Station, a new 168 megawatt quick-start generation facility to be located near Abernathy, Texas. The Antelope Station project is well underway, with commercial operation projected by the second quarter of

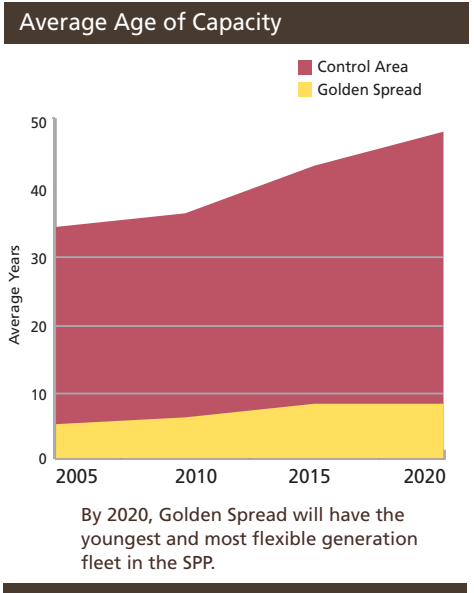
2011. Antelope Station will consist of eighteen 9.3 megawatt reciprocating engine-generators manufactured by the Wärtsilä Corporation of Finland. These generators are reliable and environmentally friendly. They are fueled by low CO<sub>2</sub>-content natural gas and require virtually no water to operate. Also, each of these Wärtsilä units can be started and brought to full output in five minutes and require no significant downtime before restarting from a shutdown. Because there are 18 separate units, the impact of forced or scheduled outages is minimized. These characteristics make the Wärtsilä units a perfect complement to wind generation. Also, the quick-start capability of Antelope Station will make it an extremely valuable asset in both the SPP EIS market and the proposed Day 2 market.

After deciding to proceed with Antelope Station, Golden Spread issued a Request for Proposal (RFP) for an 80 megawatt wind generation project. Adding a wind energy resource to the Golden Spread generation portfolio offers several potential long-term benefits. In addition to providing a hedge against potentially high gas costs, wind generated energy could satisfy potential mandatory renewable portfolio standards and will not create exposure to potential CO<sub>2</sub> (carbon) taxes. The average overall CO<sub>2</sub> emissions per megawatt-hour produced by a 50% capacity factor wind project backed up with Wärtsilä generation is less than 25% of the megawatt hour CO<sub>2</sub> emissions from a coal plant.

Depending on the size of the wind turbine-generators that are used, an 80 megawatt Wärtsilä/wind combination would include up to 53 separate generators and would be a much more reliable source of supply than a single coal unit. Additionally, the high cost of coal plant construction coupled with the incremental cost burdens associated with potentially high CO<sub>2</sub> taxes and Renewable Portfolio Standards (RPS) compliance requirements may make the Wärtsilä/wind combination the lowest overall cost resource for supplying base load energy.

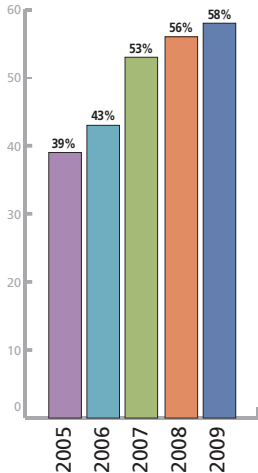
Plans for generation additions following completion of the Wärtsilä/wind projects include both combined cycle units and peaking units. When completed, Golden Spread will have the youngest and most flexible generation fleet in the SPP.

Golden Spread's management of an increasingly complex generation resource mix in increasingly complex wholesale power markets requires effective deployment and use of technology. During the year, Golden Spread made significant progress on the technology front. It worked closely with its Members to secure a \$17 million grant from the Department of Energy to accelerate the deployment of "Smart Grid" technology. This new technology will improve the reliability and economic operation of the transmission grid and the generators connected to it. It will also allow Golden Spread's Members to offer new services to their member-consumers.

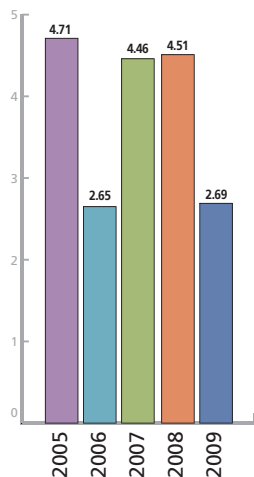


Plans for generation additions following completion of the Wärtsilä/wind projects include both combined cycle units and peaking units.

## Equity/Capitalization



## Debt Service Coverage (DSC) Ratio



# SUPPORTING THE TRANSFORMATION

## MAINTAINING FINANCIAL STRENGTH

A massive amount of capital is needed to finance the infrastructure necessary to transform the electric utility industry. Attracting that capital requires the confidence of lenders and investors. Regulators have come to recognize the need to establish and maintain ratemaking policies that are reasonable and allow the timely recovery of costs. The multi-billion dollar transmission grid additions planned in ERCOT and the SPP are being supported by favorable cost recovery mechanisms. Fair regulatory treatment is essential to maintaining investor confidence.

While Golden Spread owns some transmission facilities, its primary focus and primary need for capital is expansion of its generation portfolio. This undertaking is projected to require \$1.6 billion over the next 10 years. By the end of this buildout, Golden Spread's investment in generation could exceed \$1.8 billion, a seven-fold increase over generation investment at year-end 2009.

To access capital markets on favorable terms, Golden Spread must retain the confidence of lenders and rating agencies. Obtaining this confidence requires fiscal strength and sound financial policies. Golden Spread has always taken a fiscally conservative approach to its operations. For example, due to the size of its capital expansion program, Golden Spread has accumulated and retained a substantial amount of equity. Its equity/capitalization ratio at 2009 year-end was an extremely high 58%. Because it has acted responsibly in fiscal matters, the credit rating agencies,

To access capital markets on favorable terms, Golden Spread must retain the confidence of lenders and rating agencies . . . through the maintenance of equity/capitalization ratios and Debt Service Coverage (DSC) ratios at levels sufficient to assure positive credit ratings.



Standard and Poor's, Moody's and Fitch Ratings, have issued high ratings to Golden Spread. In 2010, Fitch reaffirmed its previously issued A-rating with a positive outlook. Also, Standard and Poor's and Moody's each reaffirmed its (unsecured) issuer rating of A and A3, respectively, within the past few months.

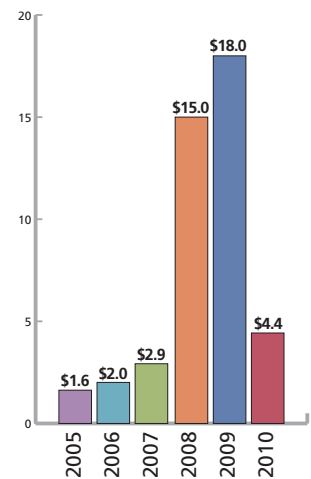
Most of Golden Spread's retained equity is attributed to margins earned on nonmember sales over a period of years when Mustang Station was the lowest cost gas-fueled power plant in the SPP control area in which Golden Spread operates. Recently, however, low gas prices, large amounts of wind generation and a new combined cycle power plant have contributed to lower market prices. At times, low gas prices made Mustang Station Golden Spread's lowest cost energy resource. As a result its output was dedicated to Member sales, reducing the energy available for sales to nonmembers. Nevertheless, as large amounts of debt are added to the balance sheet to fund generation additions, Golden Spread must continue to build equity and maintain its equity/capitalization ratio and Debt Service Coverage (DSC) ratio at levels sufficient to assure positive credit ratings. In 2009, the Golden Spread Board took two significant actions to maintain needed equity levels. First, it modified its previously effective patronage capital refund policy to significantly reduce annual distributions. Second, it revised its Member wholesale power rate to include an Equity Stabilization Charge (ESC). The Golden Spread wholesale rate already allowed recovery of all costs of operations, but the new ESC component provides for recovery of higher margins from Members if needed to maintain target DSC and equity ratios.

Golden Spread also expanded its management team by adding a chief financial officer whose responsibilities include investor relations and oversight of the capital expansion program. In addition to monitoring Golden Spread's financial metrics and maintaining the lines of credit needed to support day-to-day operations, the chief financial officer will assure that a complex multi-year, multi-resource generation expansion program is adequately funded with both construction and term financing.

In the past 10 years, Golden Spread has paid Patronage & Contributed Capital Distributions in excess of \$45.5 million

### Patronage & Contributed Capital Distributions

(in Millions of Dollars)



Golden Spread has reduced its patronage capital refund policy to maintain target equity ratios while undertaking a \$1.6 billion capital expansion program.



## CONTRACT AND REGULATORY COMPLIANCE

Regulatory compliance is becoming an increasingly significant issue as the industry continues to evolve. Under the Federal Power Act, the FERC can issue fines as high as \$1 million per day for serious violations of reliability standards. Violation of more stringent FERC-promulgated wholesale market rules can also lead to fines or other sanctions. In recognition of the importance of assuring regulatory compliance, Golden Spread is adding a full-time compliance officer to its staff. It also has bolstered its long-standing team of outside law firms by adding a staff attorney to the management team. In addition to working with the compliance officer, the staff attorney will coordinate with outside firms on matters related to contract negotiations and ongoing contract compliance.

## IN MEMORIAM



**Kenneth Mathews** (1928-2009)

At the time of his death, Kenneth Mathews was a representative from Greenbelt Electric Cooperative and had served on the Golden Spread Board of Directors since 1984.



**Robert "Bobby" Glen Green**  
(1924-2010)

Bobby Glen Green was a representative on the Golden Spread Board of Directors from 1985 to 1998 and represented Rita Blanca Electric Cooperative.



**Richard "Dick" Montgomery**  
(1930-2010)

Richard Montgomery was on the Golden Spread Board of Directors during the period from 1991-1992 when he served as interim General Manager of Deaf Smith Electric Cooperative.

## DIRECTORS' MEMORIAL SCHOLARSHIP

Formed in memory of the individuals who were dedicated to the development and advancement of rural electrification for the benefit of their Member-consumers, the Scholarship Fund provides financial assistance to electric cooperative family members seeking a college or university education. The scholarship is available to an entering freshman college or university student who is a Member, or spouse or child of a Member, or child whose guardian is a Member of a rural electric cooperative that is a Member (owner) of Golden Spread. The scholarship is a \$1,200 scholarship, payable \$300 for each of four semesters through the sophomore year. Four new scholarships are awarded each year to qualifying scholars enrolled as full-time students in an accredited college or university in Texas or Oklahoma. Seven students received scholarship funds in 2009. Almost \$60,000 in scholarship funds have been paid to 34 recipients since the first scholarship was awarded in 1994. Currently, the Scholarship Fund has a balance in excess of \$120,000 and is administered by the Opportunity Plan located in Canyon, Texas. Golden Spread makes annual contributions to the fund, in addition to contributions in memory of past Board members. Individual contributions provide additional capital for the Scholarship Fund.

## BOARD HISTORY

The history of rural electric cooperatives is rooted in a bleak period of our nation's past. At the time of the Great Depression in the 1930s, electric service had been available to consumers in most urban areas for decades, but had not yet extended to rural America. Investor-owned utilities simply could not justify the cost of building the infrastructure needed to electrify these vast and sparsely populated areas.

In 1935, the Rural Electrification Administration (REA) was created by Executive Order of the President to bring electricity to these rural areas. The following year, Congress passed the Rural Electrification Act. The REA made low-cost federal loans available for construction of the transmission and distribution facilities needed to serve rural areas. The electric cooperative program was born from the REA. Farmers and ranchers, using REA funds, formed electric cooperatives that built electricity infrastructure to serve rural consumers across the country.

Golden Spread's Member electric distribution cooperatives, the oldest of which first delivered electric power to retail members in 1936, now serve more than 213,000 consumers. Seventy-five years after the establishment of the REA, our Members' structure, purpose and mission remain unchanged. They are member-owned and governed non-profit organizations committed to the electric consumers they serve.

Golden Spread's Members do more than supply reliable and affordable electric service – they continue a long, proud tradition of community service. Whether advancing local economic development or supporting student scholarship programs, the directors, managers and employees of our Members embody the principles of those farmers and ranchers who acted with foresight and courage during the Great Depression to establish electric cooperatives.

In 1984, our 11 original distribution cooperatives demonstrated their courage and foresight by forming and joining Golden Spread. Golden Spread has encountered extraordinary challenges in the past 26 years as it has developed into the financially strong, forward-looking organization that it is today. As Golden Spread faces new and continuing challenges, we are fortunate to have a Board of Directors elected by and from our Members. Our Directors understand the need to keep Golden Spread financially strong and forward-looking, while also retaining a bedrock commitment to core cooperative principles. It is this balance among our Board of Directors that makes Golden Spread so much more than just another electric utility.



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.  
**BOARD OF DIRECTORS**



**James Driver**  
Chairman of the Board  
Director since 2003  
South Plains Electric  
Cooperative, Inc.,  
Executive Vice President  
and General Manager



**Stan McClendon**  
Vice Chairman of the Board  
Director since 1985  
Greenbelt Electric  
Cooperative, Inc.,  
Executive Vice President  
and General Manager



**Steven R. Louder, P.E.**  
Secretary/Treasurer of the Board  
Director since 1992  
Deaf Smith Electric  
Cooperative, Inc.,  
President and General Manager



**James (Jim) W. Batton**  
Director since 2010  
Greenbelt Electric  
Cooperative, Inc.,  
Chairman of the Board



**Earl Brown**  
Director since 2003  
Lyntegar Electric  
Cooperative, Inc.,  
President of the Board



**Roger Bryan**  
Director since 2003  
Coleman County Electric  
Cooperative, Inc.,  
President of the Board



**Fredda Buckner**  
Director since 2004  
Big Country Electric  
Cooperative, Inc.,  
CEO and General Manager



**Charles Castleberry**  
Director since 1990  
Swisher Electric  
Cooperative, Inc.,  
Executive Vice President  
and General Manager



**Vick Christian**  
 Director since 2009  
 Deaf Smith Electric  
 Cooperative, Inc.,  
 Director



**Jeff Copeland**  
 Director since 2005  
 Concho Valley Electric  
 Cooperative, Inc.,  
 President of the Board



**Gaylord Groce**  
 Director since 2006  
 Lighthouse Electric  
 Cooperative, Inc.,  
 President of the Board



**Billy C. Harbin**  
 Director since 1987  
 Lighthouse Electric Cooperative, Inc.,  
 Executive Vice President  
 and General Manager



**Greg Henley**  
 Director since 2009  
 Lyntegar Electric  
 Cooperative, Inc.,  
 General Manager



**Larry Hodges**  
 Director since 1985  
 Tri-County Electric  
 Cooperative, Inc.,  
 Director



**Tommy Joines**  
 Director since 1985  
 South Plains Electric  
 Cooperative, Inc.,  
 President of the Board



**Kelly Lankford**  
 Director since 2008  
 Concho Valley Electric  
 Cooperative, Inc.,  
 Executive Vice President and CEO



**Randy Mahannah, P.E.**  
 Director since 2001  
 North Plains Electric  
 Cooperative, Inc.,  
 General Manager



**David Marricle**  
 Director since 2002  
 Bailey County Electric  
 Cooperative Association, Inc.,  
 President and CEO



**Jack L. Perkins**  
 Director since 1986  
 Tri-County Electric  
 Cooperative, Inc.,  
 CEO



**Jimie Reed**  
 Director since 2001  
 Swisher Electric  
 Cooperative, Inc.,  
 Director



**Darryl Schriver**  
 Director since 2003  
 Taylor Electric Cooperative, Inc.,  
 General Manager and CEO



**David D. Sell, C.P.A.**  
 Director since 1986  
 North Plains Electric Cooperative, Inc.,  
 Secretary/Treasurer of the Board



**Larry Sloan**  
 Director since 2003  
 Taylor Electric Cooperative, Inc.,  
 Director



**Delbert Smith**  
 Director since 1984  
 Lamb County Electric  
 Cooperative, Inc.,  
 CEO and General Manager



**Darrell Stephens**  
 Director since 2000  
 Bailey County Electric  
 Cooperative Association, Inc.,  
 Chairman of the Board



**Jim Steward**  
 Director since 2003  
 Lamb County Electric  
 Cooperative, Inc.,  
 Director



**Jimmy Stokes**  
 Director since 1998  
 Rita Blanca Electric  
 Cooperative, Inc.,  
 Secretary/Treasurer of the Board



**Brent E. Wheeler**  
 Director since 2008  
 Rita Blanca Electric  
 Cooperative, Inc.,  
 CEO and General Manager



**William (Buff) Whitten**  
 Director since 2003  
 Southwest Texas Electric  
 Cooperative, Inc.,  
 General Manager



**Steve Williams**  
 Director since 2003  
 Southwest Texas Electric  
 Cooperative, Inc.,  
 President of the Board



**Carl Williams**  
 Director since 1997  
 Big Country Electric  
 Cooperative, Inc.,  
 President of the Board



**Roland Witt**  
 Director since 2003  
 Coleman County Electric  
 Cooperative, Inc.,  
 General Manager



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

## TEAM MEMBERS

Thanks to the leadership of our existing staff and the assistance of our consulting team, new personnel quickly embrace Golden Spread's Member-focused cooperative culture and become productive players on the Golden Spread team.



**Mark W. Schwartz**  
President and General Manager



**Michael L. Wise**  
Vice President  
Transmission and Operations



**Jacqueline Humphrey, C.P.A.**  
Vice President and  
Chief Financial Officer



**Randy Allison, P.E.**  
Vice President  
Production



**Carrie Clark, Esq.**  
Staff Attorney



**Robert A. O'Neil, Esq.**  
General Counsel  
Miller, Balis and O'Neil, P.C.,  
Founding Principal



**Carl N. Stover, P.E.**  
Engineering Consultant  
C. H. Guernsey & Company,  
Chairman of the Board



**D'Ann Allen**  
Administrative Assistant



**Dick Baker**  
SCADA Technician



**Chesna Foster**  
Senior Accountant



**Melody Gillis, C.P.A.**  
Controller



**Carmen Hall**  
Contract Analyst/Paralegal



**Kari Hollandsworth**  
Energy Analyst



**Wallace Lester**  
Site Supervisor  
Oil and Gas Operations



**Ty McKinney**  
Data Analyst



**Shane McMinn, P.E.**  
Manager  
Engineering



**Matt Moore**  
Manager  
Market Operations



**Stacy Sanning, P.E.**  
Project Manager



**Larry Shields**  
Billing Supervisor



**Cody Webb**  
Network Administrator



**Janis Weems**  
Executive Assistant



**Steve Wiegand, C.P.A.**  
Manager  
Accounting Services

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GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

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GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

## MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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). GSEGC and YEGC hold generating assets that supply energy to Golden Spread. In 2009, Oklaunion Electric Generating Cooperative, Inc., one of Golden Spread's non-operating affiliates, was renamed Antelope Electric Generating Cooperative, Inc. (AEGC) in anticipation of its acquisition of Antelope Station, a 168 MW generating plant under development near Abernathy, Texas. Antelope Station initially will include eighteen 9.3 MW quick-start generating units. Golden Spread ordered the generating equipment for Antelope Station in 2009.

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.

### HISTORICAL OPERATIONS

Ten years ago, at the beginning of the millennium, Golden Spread had a net equity value of \$16.9 million and supplied the 643 MW peak load of its 11 Member distribution cooperatives entirely with power purchased from Southwestern Public Service Company (SPS). At December 31, 2009, Golden Spread provided full requirements wholesale power to 16 Member systems operating in the Southwest Power Pool (SPP) and the Electric Reliability Council of Texas (ERCOT) with total peak loads of approximately 1,300 MW. It serves its Members with a resource base that includes approximately 800 MW of owned or controlled generation and more than 700 MW of medium term purchase power agreements. During this decade, Golden Spread accumulated almost \$250 million in additional equity and made more than \$45.5 million in patronage capital retirements to its Members. Golden Spread enters the second decade of the 21st Century with patronage and contributed capital of almost \$223 million. This equity base is the financial foundation that will support a projected \$1.6 billion generation expansion program over the next 10 years. The planned generation additions will supply Member load growth and replace capacity lost due to expiring purchase power agreements.

Overall, from 2000 through 2009 Golden Spread earned \$230 million in margins, predominantly from Member and nonmember sales. Most of this amount, \$188 million, was derived from sales of surplus energy to nonmembers. During the same period, Golden Spread returned almost \$100 million to its Members in the form of rate credits (\$54 million) and patronage capital retirements (\$45.5 million). Most of the nonmember sales margins (\$107 million) were realized over three years (2005, 2007 and 2008) when natural gas prices rose to exceptionally high levels and Golden Spread's Mustang Station resource was by far the most efficient generating unit in the SPS control area.

In 2009, significantly lower gas prices and changing market conditions operated to reduce nonmember sales and lower associated nonmember sales margins. At times, low gas prices allowed Mustang Station to produce energy at a lower cost than energy available from any other Golden Spread SPP resource. Because the lowest cost energy is always used to serve Golden Spread's Members, there was a significant reduction in surplus energy available for nonmember sales. Additionally, substantial amounts of new wind generated energy became available in the SPS area, driving down market prices. Finally, SPS began to take energy from a new combined cycle power plant under a long-term power purchase agreement, reducing its need for surplus energy from Mustang Station. The combined effect of these developments resulted in a reduction of historically high nonmember sales margins to \$8.5 million in 2009.

Overall, however, these changed circumstances operated to the benefit of Golden Spread's Members. Golden Spread's primary purpose is the supply of low cost power to its Members; nonmember sales are incidental to that primary purpose. In 2009, Golden Spread delivered power to its Members at an average cost of \$54.05/MWh, a \$24.64/MWh reduction from the 2008 average Member sales price. This reduction in Member power cost from 2008 to 2009 represents 2009 power cost savings of approximately \$140 million for Golden Spread's Members.

Under Golden Spread's business model, non-profit wholly-owned affiliates hold substantially all generation resources. Wholesale power contracts with the affiliates provide for payment by Golden Spread of all affiliate operating costs plus a capacity charge that produces a Debt Service Coverage (DSC) ratio of not less than 1.5 times. These affiliate power purchase costs are included in the Member wholesale rate and result in margins equivalent to the capacity costs charged by the affiliates, net of associated interest and depreciation

expense. As Golden Spread increases its resource base of affiliate-owned generation, net margins are expected to increase through the additional margins created by the capacity charges Golden Spread pays to its affiliates owning generation resources.

Golden Spread expects that, for the near term, gas prices and market conditions will result in generally lower market prices and reduced nonmember sales margins, but also will contribute to lower Member power costs. To assure that Golden Spread can continue to generate cash and equity at levels necessary to maintain its target financial ratios, retain high investment ratings ("A" or better from the three main credit rating agencies), and support its planned capital expansion, the Golden Spread Board acted in 2009 to change the Member rate to include an Equity Stabilization Charge which will generate margins needed to supplement equity from other sources. This change became effective January 1, 2010. To the extent nonmember sales margins and other sources of net margins are not sufficient to assure maintenance of targeted financial ratios, Golden Spread can make up any shortfall by invoking this new rate provision.

Taking into account all potential sources of income, Golden Spread's financial forecast reflects annual net margins of not less than \$30.7 million and, over the next 10 years, Golden Spread is forecasting average net margins of more than \$45 million annually.

## RESULTS OF OPERATIONS

### Sales

Sales are summarized in the following table:

#### Summary of Sales and Revenues

	YEARS ENDED DECEMBER 31		
	2009	2008	2007
<b>Operating Revenues (\$ in 000's)</b>			
Member Sales	\$ 307,162	\$ 433,812	\$ 326,378
Nonmember Sales	35,453	165,602	155,323
Other	3,026	1,802	1,713
<b>Total Operating Revenues</b>	<b>\$ 345,641</b>	<b>\$ 601,216</b>	<b>\$ 483,414</b>
<b>Megawatt-Hour Sales (MWhs in 000's)</b>			
SPP Member Sales	4,493	4,351	3,500
ERCOT Member Sales	1,190	1,162	1,034
<b>Total Member Sales</b>	<b>5,683</b>	<b>5,513</b>	<b>4,534</b>
Nonmember Sales	973	2,090	2,250
<b>Total MWh Sales</b>	<b>6,656</b>	<b>7,603</b>	<b>6,784</b>
<b>Average Sales Price Per Megawatt-Hour</b>			
Member (\$/MWh)	\$ 54.05	\$ 78.69	\$ 72.00
Nonmember (\$/MWh)	\$ 36.41	\$ 79.23	\$ 69.02

The 42.5% decline in operating revenues in 2009 resulted from sharply lower fuel prices and a significant reduction in sales to nonmembers, partly offset by a slight increase in energy sales to Members. Fuel prices averaged \$19.92/MWh in 2009, which is less than half of the average fuel prices in 2008 and 2007 which were \$41.80/MWh and \$40.47/MWh, respectively. These average fuel prices compare favorably to the decline in natural gas prices which averaged \$3.63/MMBtu in 2009, compared to \$7.34 in 2008 and \$6.48 in 2007. (Average natural gas prices represent the annual average natural gas prices/MMBtu delivered to Mustang Station.)

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. The lower average selling price to Members of \$54.05 in 2009 was due largely to the lower fuel prices.

After megawatt-hour sales increased to a record level of 7.6 million MWh in 2008, in 2009 megawatt-hour sales declined to approximately 6.7 million MWh which represents only a slight decrease from 2007 sales of 6.78 million MWh. The record volume of megawatt-hour sales in 2008 resulted from a 21.6% increase in sales to Members and sales to nonmembers which were more than 2 million MWh. The increase in Member sales in 2008 contributed to a 7.1% decline in nonmember sales for the same period. The increased Member sales in 2009 and 2008 were due to hot and dry weather conditions, resulting in increased irrigation load, particularly in the Southwest Power Pool (SPP) region. Irrigation sales represented almost 30% of megawatt-hour sales to Members in 2009 and 2008, compared to only 21% in 2007. Strong economic conditions in the Members' service territories also contributed to the increased Member sales.

Energy sales to nonmembers declined substantially in 2009 due to dedication of Mustang Station to serve Member loads and a reduced need for Mustang Station surplus energy by Southwestern Public Service Company due to the addition of a new combined-cycle resource to the SPS power supply portfolio. Beginning in late 2008, nonmember sales primarily were made into the Energy Imbalance Service Market (EIS Market) operated by the SPP. Lower levels of nonmember sales are expected to continue unless there is an increase in area loads, higher natural gas prices or changed market conditions. The high volume of nonmember sales in 2008 and 2007 contributed substantially to the increased net margins in those years, as explained below.

### NET MARGINS

After 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, net margins in 2009 declined substantially due to the reduced level of margins from nonmember sales. Net margins of almost \$24.5 million in 2009 are comparable to the level of net margins in 2006, which were \$25.2 million and exceed the average net margins of \$23 million that were achieved during the period from 2000 through 2009. A comparison of the components of net margins is set forth in the following table:

	YEARS ENDED DECEMBER 31		
	2009	2008	2007
Nonmember Sales	\$ 8,562	\$ 34,801	\$ 34,669
Affiliate Capacity Charges, Net	12,443	12,385	8,637
Administrative Charge	2,125	2,531	1,721
Other	1,342	2,945	3,954
<b>Net Margins</b>	<b>\$ 24,472</b>	<b>\$ 52,662</b>	<b>\$ 48,981</b>

As explained previously, the high levels of nonmember sales margins in 2007 and 2008 are attributable to a 34.5% increase in nonmember sales volumes from prior years and high natural gas prices of \$7.34/MMBtu in 2008 and \$6.48/MMBtu in 2007. Nonmember sales margins in 2009 are attributable primarily to Golden Spread's participation in the SPP EIS Market which became effective on February 1, 2007. Golden Spread sells power into the EIS Market when prices are above its decremental cost of energy. The EIS Market also allows Golden Spread to purchase energy when market prices are below its incremental cost of energy. Low cost EIS Market purchases contributed to the lower average sales price to Members of approximately \$54 in 2009.

Golden Spread's business model utilizes wholly-owned, nonprofit affiliates to hold substantially all generation assets. Wholesale power contracts with the affiliates provide for the payment of all operating costs and a capacity charge that produces a Debt Service Coverage (DSC) ratio of not less than 1.5 times. The affiliate capacity charges generate margins which contribute to Golden Spread net margins. Margins earned from affiliate capacity charges increased to \$12.4 million in 2009 and 2008 from \$8.6 million in 2007. The increase is due, in part, to the annual increase in the contract capacity rates charged by GSEGC; however, the most significant increase in this component of net margins was associated with the acquisition of Mustang Station Unit 4 and Mustang Station Unit 5 by YEGC, effective June 29, 2007.

Additional margins are generated by the \$1/MWh Administrative Charge component of the Golden Spread Member wholesale rate. This charge, which can be reduced by the Golden Spread Board, is applied to all Member MWhs 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.

In 2009 the Board reduced the Administrative Charge to \$0.64/MWh. The Administrative Charge was set at \$0.76/MWh in 2008 and \$0.68/MWh in 2007. The increased contribution to net margins provided by the Administrative Charge in 2008 was influenced by a combination of increased MWh sales to Members and the higher rate of \$0.76/MWh. In 2009 the contribution to net margins provided by the Administrative Charge declined due to the reduced rate of \$0.64/MWh. In 2009, the Board approved changes to the Member wholesale rate which eliminated the Administrative Charge in favor of new provisions that provide for the recovery of all administrative costs and an Equity Stabilization Charge that provides for margins necessary to maintain Golden Spread's targeted liquidity and financial ratios, including DSC, equity as a percentage of total capitalization, and other key ratios that affect the confidence of lenders and rating agencies.

Other Income consists primarily of interest earned on cash balances. Interest income declined in 2009 and 2008 due to a combination of much lower interest rates and a reduction in cash balances resulting from Golden Spread's purchase of a gas storage facility in 2008 and cash expenditures related to development of Antelope Station, a quick-start generation facility expected to be completed in the second quarter of 2011.

## OPERATING EXPENSES

Operating expenses are summarized in the table below:

	YEARS ENDED DECEMBER 31		
	2009	2008	2007
Fuel and Purchased Power	\$ 270,840	\$ 507,732	\$ 395,292
Plant Operations & Management	1,408	1,359	1,418
Plant Maintenance	4,316	2,841	6,846
Administrative & General	14,814	14,605	12,444
Depreciation	8,448	8,105	7,099
Taxes Other than Income	2,123	1,507	1,478
Other	9,802	4,930	4,140
<b>Total</b>	<b>\$ 311,751</b>	<b>\$ 541,079</b>	<b>\$ 428,717</b>

The changes in fuel and purchased power costs are directly related to fuel costs and the volume of capacity and energy purchased in each period. The average cost of fuel and purchased power per MWh was \$40.70 in 2009, \$65.42 in 2008 and \$57.46 in 2007. These changes are comparable to the changes in average selling prices per MWh to Members of \$54.05 in 2009, \$78.69 in 2008 and \$72.00 in 2007. The average cost per MWh declined almost 38% in 2009 due almost entirely to lower fuel prices, after increasing 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. The difference between the average price per MWh sold to Members and the average cost of fuel and purchased power per MWh has remained fairly constant at \$13-\$14 per MWh. This difference – or excess of average selling price to Members over the average cost of fuel and purchased power per MWh – represents the recovery of all other expenses of operations and provides for the Members' contribution to net margins, which were \$10.4 million in 2007, \$14.9 million in 2008 and \$14.6 million in 2009.

Plant maintenance and maintenance services were lower in 2008 compared to 2009 and 2007 due to less scheduled maintenance and fewer unplanned outages. Also, 2007 reflected higher than normal plant maintenance costs due to unplanned outages. The reduction in administrative and general expenses in 2007 was the result of reduced expenses for outside services. The 2009 and 2008 increases in depreciation and other operating expenses are due to the addition of Mustang Station Unit 5 which began commercial operation effective June 1, 2007. Other operating expense in 2009 includes a \$5 million one-time charge associated with the write-off of capitalized costs associated with the investigation of Golden Spread's participation as an owner in a proposed expansion of Sunflower Electric Power Corporation's Holcomb generating station. Golden Spread's capital expansion plan had included acquisition of a 400 MW interest in a new coal-fired generating unit at Holcomb. Legal challenges have

resulted in an indefinite delay of that project and a reduction in its proposed size. If the project does proceed, any participation by Golden Spread is expected to be limited to 100-150 MWs. As a result of these developments, Golden Spread determined that it was appropriate to writeoff a significant portion of capitalized development costs associated with this project.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2009 and 2008, Golden Spread had available cash and investments of approximately \$96 million and \$123 million, respectively. In addition to the available cash, Golden Spread, through its wholly-owned affiliate GSEGC, had over \$5 million in reserve funds (i.e., debt service reserve fund and maintenance reserve fund) and \$3.5 million in a required cash working capital deposit, all of which have been excluded from the available cash balances. Golden Spread also 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, 2009, there was \$3.2 million in outstanding borrowings under this credit facility and \$2 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 more than \$100 million under its indenture due to the addition of assets that include Mustang Station Unit 5, a 152 MW GE 7FA combustion turbine-generator, the purchase of an additional GE 7FA combustion turbine-generator and a GE D11 steam turbine-generator, both of which are in storage pending future project development, and the acquisition of equipment and other expenditures associated with the Antelope Project. These assets were financed through cash generated from operations and constitute bondable additions under the Golden Spread indenture.

The decrease in available cash from 2008 to 2009 is due primarily to the purchase of equipment associated with the Antelope Project and the payment to Members associated with the 2009 retirement of \$18 million in patronage capital credits. Effective January 1, 2010, the Board changed the patronage capital retirement policy in effect for 2008 and 2009 to reduce annual retirements that represented 8.5% of year-end equity. This resulted in the 2010 payment of approximately \$4.5 million of patronage capital distributions to the Members, an amount approximating 2% of the 2009 year-end equity balance.

Over the next 10 years, Golden Spread plans to add approximately 1,300 MW 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. Current plans also contemplate the ownership or control of some wind generation. 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. 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 February 2010, Fitch Ratings updated its rating on Golden Spread's senior secured debt reaffirming the A-rating and changing the outlook to positive from stable. In January 2010, Standard & Poor's reaffirmed its credit rating of A. In August 2009, Moody's Investor Services reaffirmed its general corporate credit rating of A3 (equivalent to an A2 on a senior secured basis).



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.  
**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, 2009 and 2008, 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, 2007. 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, 2009 and 2008, 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, 2007, 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 15, 2010



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

DECEMBER 31

**UTILITY PLANT AT COST**

	2009	2008
Electric Plant in Service	\$ 259,101,336	\$ 255,205,875
Construction Work in Progress	18,974,143	-
Less: Accumulated Provision for Depreciation	61,942,894	53,374,813
Total Utility Plant at Cost	\$ 216,132,585	\$ 201,831,062

**OTHER PROPERTY AND INVESTMENTS – AT COST OR STATED VALUE**

Investments in Associated Organizations	\$ 2,021,479	\$ 1,899,601
Other Property	9,247,482	8,668,986
Reserve Funds	5,383,372	5,268,413
Total Other Property and Investments – At Cost or Stated Value	\$ 16,652,333	\$ 15,837,000

**CURRENT ASSETS**

Cash	\$ 27,038,415	\$ 6,349,468
Temporary Cash Investments	63,056,112	100,496,802
Special Deposits	3,500,000	3,500,000
Medium Term Notes	6,000,000	16,000,000
Accounts Receivable	37,301,744	37,629,627
Prepaid Expenses and Other Current Assets	6,808,532	6,548,025
Total Current Assets	\$ 143,704,803	\$ 170,523,922

**OTHER ASSETS**

Equipment Inventory	\$ 26,500,000	\$ 26,500,000
Deferred Charges	8,289,638	11,453,542
Debt Issuance Costs (Net of accumulated amortization of \$2,363,285 in 2009 and \$2,104,131 in 2008)	2,787,550	3,046,704
Total Other Assets	\$ 37,577,188	\$ 41,000,246

**TOTAL ASSETS**

	\$ 414,066,909	\$ 429,192,230
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**EQUITIES AND LIABILITIES**

**EQUITIES**

Patronage Capital	\$ 209,645,985	\$ 201,948,392
Contributed Capital	13,329,613	14,554,755
Accumulated Comprehensive Income (Loss)	(13,000,000)	(19,900,000)
Total Equities	\$ 209,975,598	\$ 196,603,147

**LONG-TERM DEBT**

Mortgage Notes Less Current Maturities	\$ 141,114,507	\$ 145,456,852
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**CURRENT LIABILITIES**

Current Maturities of Long-Term Debt	\$ 7,177,262	\$ 5,497,769
Notes Payable	3,289,008	3,289,008
Accounts Payable	33,389,928	37,963,335
Amounts Due Members	1,604,474	15,929,111
Other Accrued Expenses	3,140,848	2,604,966
Total Current Liabilities	\$ 48,601,520	\$ 65,284,189

**DEFERRED CREDITS**

	\$ 14,375,284	\$ 21,848,042
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**TOTAL EQUITIES AND LIABILITIES**

	\$ 414,066,909	\$ 429,192,230
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See accompanying notes to consolidated financial statements.



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.  
**CONSOLIDATED INCOME STATEMENTS**

	YEARS ENDED DECEMBER 31		
	2009	2008	2007
<b>OPERATING REVENUES</b>			
Wholesale Power Sales	\$ 342,615,074	\$ 599,414,174	\$ 481,700,562
Other Operating Revenues	<b>3,025,884</b>	1,802,223	1,713,235
Total Operating Revenues	<b>\$ 345,640,958</b>	\$ 601,216,397	\$ 483,413,797
<b>OPERATING EXPENSES</b>			
Purchased Power	\$ 243,855,622	\$ 418,365,827	\$ 319,213,463
Other Power Supply Expense	<b>3,607,675</b>	3,305,960	2,690,373
Fuel Expense	<b>26,984,765</b>	89,366,668	76,078,258
Plant Operations and Management	<b>1,407,628</b>	1,359,126	1,418,704
Plant Maintenance and Maintenance Services	<b>4,315,897</b>	2,840,614	6,846,274
Transmission Operations & Maintenance	<b>732,511</b>	492,618	431,585
Other Operating Expense	<b>5,275,537</b>	947,914	654,977
Administrative and General	<b>14,813,726</b>	14,604,898	12,444,348
Depreciation	<b>8,447,821</b>	8,105,462	7,098,659
Taxes Other than Income Taxes	<b>2,123,486</b>	1,507,174	1,477,799
Interest Expense - Other	<b>186,816</b>	183,194	362,931
Total Operating Expenses	<b>\$ 311,751,484</b>	\$ 541,079,455	\$ 428,717,371
<b>OPERATING MARGINS – BEFORE FIXED CHARGES</b>	<b>\$ 33,889,474</b>	\$ 60,136,942	\$ 54,696,426
<b>FIXED CHARGES</b>			
Interest on Long-Term Debt	\$ 10,499,738	\$ 10,160,989	\$ 9,410,006
Amortization of Debt Issuance Costs	<b>259,154</b>	259,154	259,154
Total Fixed Charges	<b>\$ 10,758,892</b>	\$ 10,420,143	\$ 9,669,160
<b>OPERATING MARGINS – AFTER FIXED CHARGES</b>	<b>\$ 23,130,582</b>	\$ 49,716,799	\$ 45,027,266
<b>NON-OPERATING MARGINS</b>			
Interest and Capital Credit Income	\$ 1,182,539	\$ 2,777,126	\$ 3,813,784
Other Income	<b>159,330</b>	168,317	140,104
Total Non-Operating Margins	<b>\$ 1,341,869</b>	\$ 2,945,443	\$ 3,953,888
<b>NET MARGINS</b>	<b>\$ 24,472,451</b>	\$ 52,662,242	\$ 48,981,154

See accompanying notes to consolidated financial statements.



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

CONSOLIDATED STATEMENTS  
OF CASH FLOWS

	YEARS ENDED DECEMBER 31		
	2009	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Margins	\$ 24,472,451	\$ 52,662,242	\$ 48,981,154
Adjustments to Reconcile Net Margins to Net Cash Provided by			
Depreciation and Amortization	8,768,651	8,364,617	7,357,813
Capital Credits	(125,455)	(207,036)	(126,716)
Deferred Charges	3,163,905	(4,225,105)	(5,382,421)
Deferred Credits	(572,758)	(50,717)	701,143
Accounts Receivable	327,884	4,263,665	(6,514,385)
Materials and Supplies	(9,589)	(88,972)	(147,088)
Prepayments and Other Current Assets	(250,918)	(270,333)	(157,252)
Payables and Accrued Expenses	(4,037,527)	1,707,476	1,960,444
Amounts Due to Members	(14,324,639)	14,467,434	(1,124,070)
Net Cash Provided by Operating Activities	<u>\$ 17,412,005</u>	<u>\$ 76,623,271</u>	<u>\$ 45,548,622</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to Utility Plant	\$ (20,578,849)	\$ (5,074,276)	\$ (20,243,213)
Additions to Other Property and Equipment Inventory	-	(8,134,563)	-
Net Activity in Medium Term Notes	10,000,000	(10,000,000)	-
Cash Released From Escrow	-	-	42,750,000
Investments in Associated Organizations	3,577	(60,276)	7,511
Net Cash Provided by (Used in) Investing Activities	<u>\$ (10,575,272)</u>	<u>\$ (23,269,115)</u>	<u>\$ 22,514,298</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Additions to) Reductions in Reserve Funds	\$ (114,958)	\$ (103,739)	\$ (117,492)
Release of Restricted Cash - Held by Trustee	-	-	1,150,469
Retirement of Patronage & Contributed Capital	(18,000,000)	(15,000,000)	(2,925,046)
Payments on Long-Term Debt	(5,473,518)	(5,046,885)	(4,607,718)
Net Borrowings (Repayments) - Notes Payable	-	(600,000)	(10,757,139)
Net Cash Provided by (Used in) Financing Activities	<u>\$ (23,588,476)</u>	<u>\$ (20,750,624)</u>	<u>\$ (17,256,926)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (16,751,743)</b>	<b>\$ 32,603,532</b>	<b>\$ 50,805,994</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>106,846,270</b>	<b>74,242,738</b>	<b>23,436,744</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 90,094,527</u></b>	<b><u>\$ 106,846,270</u></b>	<b><u>\$ 74,242,738</u></b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
Interest Paid During the Year	<u>\$ 9,884,259</u>	<u>\$ 10,072,505</u>	<u>\$ 10,713,107</u>
Income Taxes Paid During the Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.  
**CONSOLIDATED STATEMENTS  
 OF EQUITY**

	PATRONAGE CAPITAL	CONTRIBUTED CAPITAL	ACCUMULATED COMPREHENSIVE INCOME (LOSS)	TOTAL
<b>BALANCE DECEMBER 31, 2006</b>	<b>\$ 116,059,846</b>	<b>\$ 16,724,951</b>	<b>\$ (6,400,000)</b>	<b>\$ 126,384,797</b>
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)
<b>BALANCE DECEMBER 31, 2007</b>	<b>\$ 162,926,320</b>	<b>\$ 15,914,585</b>	<b>\$ (9,400,000)</b>	<b>\$ 169,440,905</b>
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)
<b>BALANCE DECEMBER 31, 2008</b>	<b>\$ 201,948,392</b>	<b>\$ 14,554,755</b>	<b>\$ (19,900,000)</b>	<b>\$ 196,603,147</b>
Net Margins - 2009	\$ 24,472,451	\$ -	\$ -	\$ 24,472,451
Items of Comprehensive Income (Loss)				
Change in Loss on Hedging Contracts	-	-	6,900,000	6,900,000
Net Comprehensive Income (Loss)	\$ 24,472,451	\$ -	\$ 6,900,000	\$ 31,372,451
Patronage & Contributed Capital Retirement	\$ (16,774,858)	\$ (1,225,142)	\$ -	\$ (18,000,000)
<b>BALANCE DECEMBER 31, 2009</b>	<b>\$ 209,645,985</b>	<b>\$ 13,329,613</b>	<b>\$ (13,000,000)</b>	<b>\$ 209,975,598</b>



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

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 14). Antelope Electric Generating Cooperative, Inc., and Mid-Tex Generation and Transmission Electric Cooperative, Inc. are non-operating cooperative affiliates with 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, in Southwestern Kansas and a small portion of Southeast Colorado. 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, 2009, 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**

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 amortized on a straight-line basis over the life of the underlying debt.

**Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, the Cooperative considers cash and temporary cash investments with an original maturity of 90 days or less as cash and cash equivalents.

**Investments in Associated Organizations**

Investments in associated organizations consist primarily 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, 2009 and 2008, 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 oil and gas reserves (see Note 14).

**Reserve Funds**

Reserve Funds include maintenance fund and debt service reserves invested at CoBank.

**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.

**Reclassifications**

Certain reclassifications have been made to the 2008 and 2007 financial statement balances to conform to the 2009 presentation.

**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, 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.

**Uncertain Tax Positions**

On January 1, 2009, the Cooperative adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax positions of the Cooperative are its filing status as a tax-exempt entity and its need to avoid exceeding a certain percentage of its income from

nonmembers to maintain its tax-exempt status. The Cooperative has determined that it is more likely than not, that their tax positions will be sustained upon examination by the Internal Revenue Service (IRS), or other State taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative files income tax returns in the U.S. federal jurisdiction. The Cooperative is no longer subject to U.S. federal and state income tax examinations by federal taxing authorities for years before 2005.

The Cooperative recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2009 and 2008.

### 3. Utility Plant

The components of utility plant are summarized as follows:

	DECEMBER 31	
	2009	2008
Plant-in-Service		
Land	\$ 2,826,034	\$ 2,826,034
Production Plant	205,511,387	205,022,707
Transmission Plant	49,572,043	46,285,283
General Plant	1,191,872	1,071,851
Total Electric Plant-in-Service	<u>\$ 259,101,336</u>	<u>\$ 255,205,875</u>
Construction Work in Progress	18,974,143	-
Total Electric Plant	<u>\$ 278,075,479</u>	<u>\$ 255,205,875</u>

At December 31, 2009, Construction Work in Progress represented construction of the Antelope Project, a 168 MW generation facility consisting of 18 quick-start units, near Abernathy, Texas.

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 8) 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 2009 and 2008, transmission facilities and substations of three Golden Spread Members were transferred to Golden Spread under the terms of the Special Facilities Agreements. The net book value of the assets transferred were \$2,810,666 and \$7,806,461, respectively.

### 4. Temporary Cash Investments

Temporary cash investments are summarized as follows:

	DECEMBER 31	
	2009	2008
CFC Commercial Paper	\$ 31,466,588	\$ 70,930,000
CFC Daily Fund Investment	31,036,061	29,086,192
Other Investments	553,463	480,610
Total Temporary Cash Investments	<u>\$ 63,056,112</u>	<u>\$ 100,496,802</u>

The CFC commercial paper investments are recorded at cost which approximates fair value. The commercial paper matures during January 2010 and interest rates ranging from 0.15% - 0.195%. The CFC daily fund investments earn interest at a variable interest rate (0.165% at December 31, 2009).

### 5. Equipment Inventory

Equipment inventory consists of a gas-fired combustion turbine generator and a steam turbine generator held by the Cooperative at original cost of \$26,500,000 as of December 31, 2009 and 2008. These units will be transferred to utility plant and depreciated when such units are placed into service. Capitalizable costs associated with storing these units are included in Deferred Charges.

### 6. Deferred Charges

Deferred charges consist of the following:

	DECEMBER 31	
	2009	2008
Regulatory Assets	\$ 2,496,210	\$ 5,658,960
Storage Costs Associated with Equipment Inventory	5,283,747	5,057,659
Other Charges	509,681	736,923
Total Deferred Charges	<u>\$ 8,289,638</u>	<u>\$ 11,453,542</u>

### 7. Short-Term Credit Facilities

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

	DECEMBER 31	
	2009	2008
4.95% Borrowings under Line of Credit	<u>\$ 3,289,008</u>	<u>\$ 3,289,008</u>

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, 2009, \$2,000,000 in letters of credit had been issued under this arrangement. In addition, \$15,000,000 of this credit facility is reserved in connection with the variable-rate term loans described in Note 8.

The Cooperative incurred interest expense on short-term borrowings of \$186,816 in 2009, \$183,194 in 2008, and \$362,931 in 2007.

### 8. Long-Term Debt

Long-term debt is summarized as follows:

	DECEMBER 31	
	2009	2008
Variable-Rate Term Loans	\$ 80,980,800	\$ 83,715,600
5.75% Senior Secured Notes	47,416,100	49,272,400
4.10%-8.10% Fixed-Rate Mortgage Notes	14,106,366	15,197,157
Variable-Rate Mortgage Notes	5,788,503	2,769,464
	<u>\$ 148,291,769</u>	<u>\$ 150,954,621</u>
Less: Current Maturities	7,177,262	5,497,769
	<u>\$ 141,114,507</u>	<u>\$ 145,456,852</u>

The variable-rate term loans were issued upon GSEGC's purchase of an undivided 50 percent ownership interest in Mustang Station (See Note 12). 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, and a portion of its cash balances, special deposits and reserve balances totaling approximately \$9,757,000 and \$11,135,000 at December 31, 2009 and 2008, respectively. GSEGC's assets are excluded from the Trust Indenture (described below) under which most 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 2007 through 2009 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 2007 through 2009) and restrictions on distributions. GSEGC was in compliance with the Credit Agreement at December 31, 2009 and 2008, and has met all the requirements necessary to pay distributions to Golden Spread. Such distributions totaled \$7,002,356 in 2009 and \$6,595,279 in 2008. At December 31, 2009, GSEGC held in excess of \$9,207,000 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

\$145,463,000 at December 31, 2009) including Mustang Station Unit 4 and Unit 5 (see Note 12), 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, 2009 and 2008, Golden Spread accrued \$2,790,000 and \$2,903,000 in interest. The Trust Indenture contains various covenants and restrictions including maintenance of minimum equity capital (as defined) of \$50,000,000, 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, 2009, the Cooperative had sufficient assets under the indenture to issue more than \$82,000,000 in additional debt.

The variable and fixed-rate mortgage notes are due in quarterly installments and are secured by the Cooperative's transmission assets (with a book value of \$29,430,000 and \$27,735,000 at December 31, 2009 and 2008, respectively) and the revenues recoverable through the Special Facilities charges associated with the Special Facilities. Mortgage notes of \$2,810,666 and \$7,812,792 were assumed by Golden Spread in 2009 and 2008, respectively, in connection with the transfer of transmission and substation facilities by Members, as described in Note 3.

As of December 31, 2009, annual maturities of long-term debt for the next five years are as follows:

2010	\$ 7,177,262
2011	7,805,951
2012	10,415,638
2013	10,893,272
2014	11,716,084

## 9. 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 accounting principles generally accepted in the United States of America.

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, 2009 and 2008, 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, 2009 and 2008, for the Cooperative's derivative instruments:

	DECEMBER 31	
	2009	2008
Total Derivative Liabilities	\$ 13,000,000	\$ 19,900,000
Comprehensive (Gain) Loss on Cash Flow Hedges Before Reclassification Adjustment	\$ (6,900,000)	\$ 10,500,000
Reclassification Adjustment (Gain) Loss Included in Net Income	-	-
Net Comprehensive (Gain) Loss from Derivative Instruments	\$ (6,900,000)	\$ 10,500,000

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. For the year ended December 31, 2009, the gain from effective cash flow hedges was \$6,900,000, resulting in a cumulative loss of \$13,000,000 at December 31, 2009.

As of December 31, 2009, the maximum length of time over which

the Cooperative is hedging its exposure to the variability in future cash flows for forecasted transactions is 10 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.

## 10. 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 2009, 2008, and 2007, were \$362,272, \$261,091, and \$211,449, 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, 2009, 2008, and 2007 were \$62,790, \$42,656, and \$37,766, respectively.

Golden Spread has a deferred compensation plan to provide supplemental retirement benefits for certain highly compensated employees. At December 31, 2009 and 2008, the liability associated with the deferred compensation plan was \$68,536 and \$987,707, 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 \$728,092 and \$955,067 are included in deferred charges in the accompanying financial statements at December 31, 2009 and 2008, 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.

## 11. Rate Matters

Under the Golden Spread tariff, Golden Spread bills its Members based on estimated costs and usage. The tariff provides 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 under-recovery of \$4,088,000 in 2009 and an over-recovery of \$15,170,000 and \$1,785,000 in 2008 and 2007, respectively. Such amounts are included in Accounts Receivable and/or Amounts Due Members in the accompanying balance sheets.

## 12. 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 the 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 Units 4 and 5) that are used primarily to serve peak load. The units are held by YEGC and are 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 Units 4 and 5.

### 13. Significant Customers

For the years ended December 31, 2008 and 2007, sales to SPS represented between 21 and 25 percent of Golden Spread's total annual wholesale power sales. In 2009 sales to SPS represented approximately 4 percent of Golden Spread's total annual wholesale power sales.

Golden Spread has three Members whose power purchases typically represent at least 10 percent of Golden Spread's annual power sales to its Members. For each of the three years ended December 31, 2009, sales to South Plains Electric Cooperative, Inc. represented 14 to 15 percent of sales to Members (10 to 12 percent of total sales). In the same periods, sales to Lyntegar Electric Cooperative, Inc. represented 11 to 12 percent of sales to Members (7 to 11 percent of total sales) and sales to Deaf Smith Electric Cooperative, Inc. represented 12 to 13 percent of sales to Members (8 to 10 percent of total sales).

### 14. Acquisition of Gas Storage Facility

In October 2008, Golden Spread, through its wholly-owned subsidiary Fort Concho Gas Storage, Inc.(FCGS), 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, FCGS has initiated action to bring certain wells in compliance with the rules and regulations of the Texas Railroad Commission at an estimated cost of \$3,000,000. FCGS 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, 2009, approximately \$8,700,000 had been expended to acquire and make necessary improvements to this investment which is included in Other Property in the accompanying balance sheet.

### 15. Commitments and Contingencies

Golden Spread is party to a Power Sales Agreement (PSA) with SPS. 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. Golden Spread purchased 480 MW under the PSA from January through May 2009, at which time the purchase obligation increased to 505 MW. The purchase obligation will increase to 525 MW in June 2010. Golden Spread also is party to a Replacement Power Sales Agreement (RPSA) with SPS. The RPSA will become effective upon termination of the PSA. The RPSA has a seven-year term, with Golden Spread purchasing 500 MW in years 1-3, 300 MW in years 4-5, and 200 MW 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 serves substantially all of its Electric Reliability Council of Texas (ERCOT) Members' loads with power purchased pursuant to a full-requirements wholesale power agreement with AEP Energy Partners, Inc. (AEP) that expires December 31, 2013.

On June 12, 2009 the Texas Supreme Court denied Golden Spread's Petition for Review of an October 16, 2008 decision of the Seventh Court of Appeals that affirmed in part and reversed in part a February 3, 2006 order issued by the Potter County District Court granting summary judgment in favor of DCEA in a dispute related to the DCEA PPA with Golden Spread. The issues that were not affirmed by the Seventh Court of Appeals are subject to further proceedings before the Potter County District Court. The outcome of the dispute is not expected to have any material effect on the accompanying financial statements.

In October 2006 an Arbitrator issued an award in an arbitration proceeding involving disputes with DCEA over the pricing of energy sold to Golden Spread under the DCEA PPA and the allocation of costs to GSEGC under the Joint Operating Agreement (JOA) for Mustang Station. The award granted monetary damages and injunctive relief to Golden Spread and GSEGC. In November 2006, the Arbitrator issued a corrected award that addressed minor typographical errors in the October 2006 award, and in December 2006 the Arbitrator issued an order resolving a dispute over damages.

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 Hon. Abe Lopez, the judge who issued the judgment confirming the Award, retired from the bench and was succeeded by the Hon. Doug 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, requesting a new trial. On April 15, 2009, Judge Woodburn denied the DCEA Motion. In May 2009, DCEA filed a motion for a new trial, which Golden Spread and GSEGC opposed. Judge Woodburn denied DCEA's motion on May 21, 2009.

DCEA appealed Judge Woodburn's Order to the Seventh Court of Appeals in Amarillo, Texas. The appeal is pending.

Golden Spread and GSEGC estimate that if the award is confirmed the cumulative damages payable by DCEA through March 31, 2010 will be approximately \$8,400,000. The outcome of the dispute is not expected to have any material effect on the accompanying financial statements.

### 16. 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 reprice 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, 2009, is as follows:

	Carrying Value	Fair Value
CFC Fixed Rate Long-Term Debt	\$ 14,106,366	\$ 13,172,273
Senior Secured Notes	47,416,100	41,614,645
	<u>\$ 61,522,466</u>	<u>\$ 54,786,918</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, 2009.

The Cooperative utilizes the following fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

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

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

Level 3 inputs are unobservable inputs for the asset or liability.

Assessing the significance of a particular input to the fair value measurement requires judgment considering factors specific to the asset or liability. Long-Term Debt valuations are considered Level 2.

### 17. Subsequent Events

The Cooperative's management has evaluated subsequent events through April 15, 2010, the date which the financial statements were available for issue. No events had occurred that meet the criteria for disclosure set forth by the FASB Accounting Standards Codification.



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

5-YEAR SUMMARY OF CONDENSED FINANCIAL DATA AND STATISTICAL INFORMATION

**CONDENSED CONSOLIDATED  
INCOME STATEMENT DATA (000'S)**

	2009	2008	2007	2006	2005
<b>Operating Revenues</b>	\$ 345,641	\$ 601,216	\$ 483,414	\$ 436,106	\$ 480,532
<b>Operating Expenses</b>					
Fuel, Purchased Power & Other					
Power Supply Costs	\$ 274,447	\$ 511,038	\$ 397,983	\$ 373,848	\$ 405,175
Plant Operations and Maintenance	5,723	4,200	8,265	8,868	5,886
Administrative and General	14,814	14,605	12,444	14,504	10,121
Depreciation	8,448	8,106	7,099	5,132	4,297
Taxes Other Than Income Taxes	2,124	1,507	1,478	1,382	1,103
Other Operating Expenses	6,195	1,623	1,449	2,536	1,299
Total Operating Expenses	311,751	541,079	428,718	406,270	427,881
<b>Operating Margins</b>	\$ 33,890	\$ 60,137	\$ 54,696	\$ 29,836	\$ 52,651
<b>Fixed Charges</b>	10,759	10,420	9,669	9,996	8,808
<b>Operating Margins – After Fixed Charges</b>	\$ 23,131	\$ 49,717	\$ 45,027	\$ 19,840	\$ 43,843
<b>Non-Operating Margins</b>	1,342	2,945	3,954	5,331	3,401
<b>Net Margins</b>	\$ 24,473	\$ 52,662	\$ 48,981	\$ 25,171	\$ 47,244

**CONDENSED CONSOLIDATED  
BALANCE SHEET DATA (000'S)**

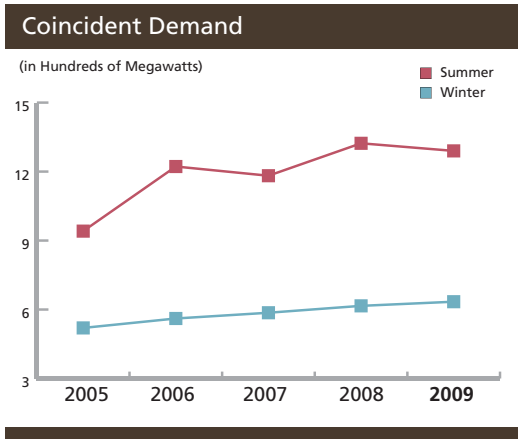
Utility Plant, net	\$ 216,133	\$ 201,831	\$ 197,056	\$ 183,911	\$ 143,441
Other Property and Investments	16,652	15,837	7,331	8,245	27,054
Cash and Investments	99,595	126,346	83,743	75,687	90,664
Other Current Assets	44,110	44,178	48,172	41,353	88,927
Other Assets	37,577	41,000	37,034	31,911	5,937
<b>Total Assets</b>	\$ 414,067	\$ 429,192	\$ 373,336	\$ 341,107	\$ 356,023
Patronage & Contributed Capital	\$ 222,976	216,503	178,841	132,785	109,624
Accumulated Comprehensive Income (Loss)	(13,000)	(19,900)	(9,400)	(6,400)	(8,800)
<b>Total Equities</b>	\$ 209,976	196,603	169,441	126,385	100,824
Long-Term Debt, excluding current maturities	\$ 141,114	\$ 145,457	\$ 143,142	\$ 148,189	\$ 152,787
Current Liabilities	48,602	65,284	49,354	58,836	91,928
Deferred Credits	14,375	21,848	11,399	7,697	10,484
<b>Total Liabilities</b>	\$ 204,091	\$ 232,589	\$ 203,895	\$ 214,722	\$ 255,199
<b>Total Equities and Liabilities</b>	\$ 414,067	\$ 429,192	\$ 373,336	\$ 341,107	\$ 356,023

**OTHER FINANCIAL AND  
STATISTICAL DATA**

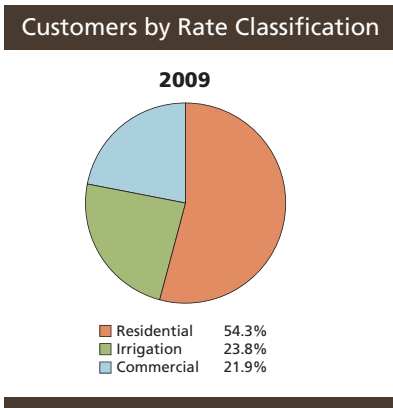
<b>Energy Sales</b>					
Energy Sales to Members (MWh)	5,683,372	5,512,647	4,533,123	4,923,961	3,751,491
Energy Sales to Nonmembers (MWh)	973,788	2,090,060	2,250,465	1,553,790	2,806,428
<b>Total Energy Sales (MWh)</b>	6,657,160	7,602,707	6,783,588	6,477,751	6,557,919
Member Peak Demand (MW)	1,290	1,323	1,182	1,222	941
Member System Load Factor (%)	50.28%	47.56%	43.78%	46.00%	45.51%
Energy Generated (MWh)	1,106,991	1,273,792	1,357,942	1,238,283	1,464,805
Energy Purchased (MWh)	5,718,545	6,487,139	5,522,155	5,335,567	5,161,581
<b>Average Sales Price (\$/MWh)</b>					
Member	\$ 54.05	\$ 78.69	\$ 72.00	\$ 69.44	\$ 69.25
Nonmember	\$ 36.41	\$ 79.23	\$ 69.02	\$ 59.61	\$ 72.88
<b>Average Natural Gas Price (\$/MMBtu)</b>	\$ 3.63	\$ 7.34	\$ 6.48	\$ 6.04	\$ 7.67
<b>Financial Ratios</b>					
Equity/Capitalization (%)	58%	56%	53%	43%	39%
Debt Service Coverage (DSC) Ratio	2.69	4.51	4.46	2.65	4.71
Debt/Funds Available for Debt Service	3.47	2.17	2.31	4.19	2.69
Net Plant/Net Debt	4.64	8.73	3.06	2.13	3.44
Current Ratio	2.96	2.61	2.67	2.01	2.16



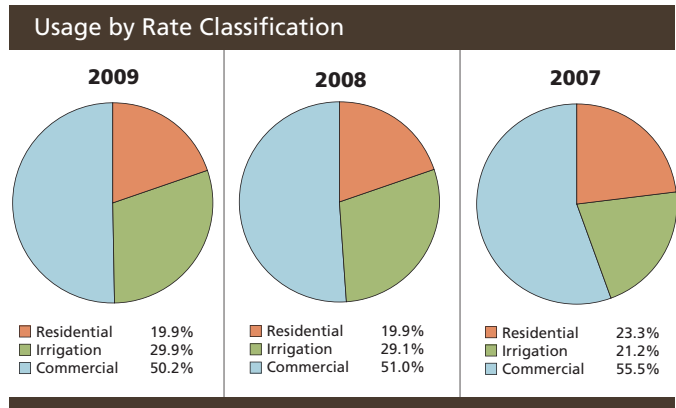
GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.  
**ENERGY & FINANCIAL CHARTS**



Summer peak loads are affected by weather conditions in the Members' service territory; however, over the last four years, peak demand has been in a fairly narrow range of 1,200-1,300 megawatts. Winter peaks have shown steady growth consistent with Golden Spread's average growth rate.



The composition of customers by rate classification has remained stable from year to year.



Weather conditions also affect the mix of energy sales by classification – particularly the level of irrigation sales, which can generally range from 20% to 30% of total energy sales. Cooler temperatures and above-average precipitation characterized 2007 weather conditions, reducing the irrigation load.

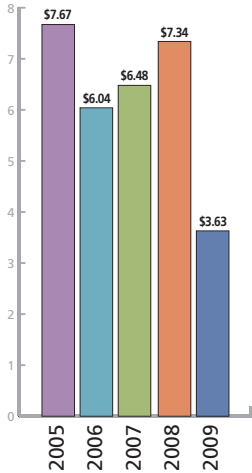


GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

ENERGY & FINANCIAL CHARTS

Average Natural Gas Price

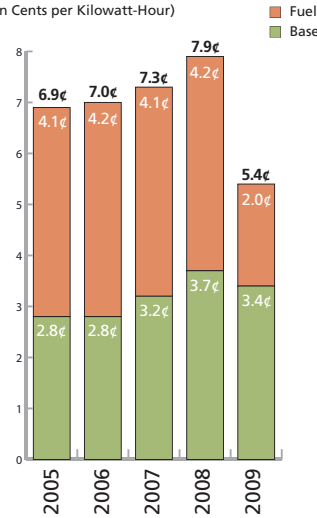
(in Millions of BTUs)



Lower natural gas prices in 2009 resulted in substantial savings for Members, with the average rate declining from 7.9¢/ kWh to 5.4¢/ kWh, which resulted in annual savings to Members of approximately \$140 million.

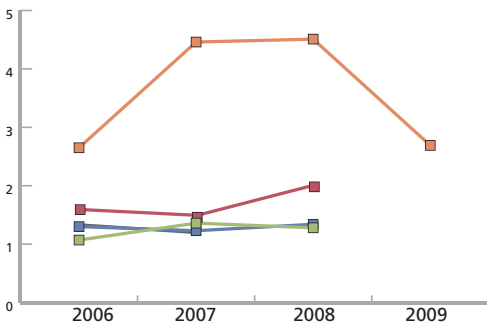
Average Rate to Members

(in Cents per Kilowatt-Hour)

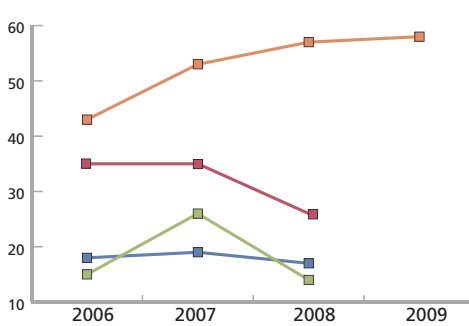


Base rates have ranged from 2.8¢/ kWh to 3.7¢/kWh over the past 5 years, with fuel costs of 2.0¢/ kWh to 4.2¢/kWh being the largest determinant of the total average rate to Members.

Debt Service Coverage (DSC) Ratio

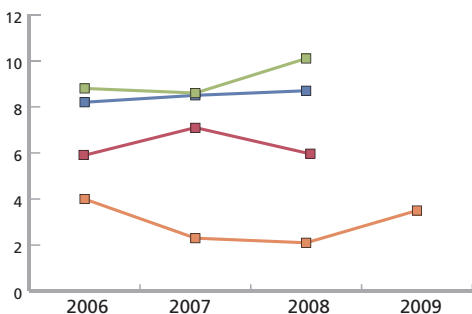


Equity-to-Capitalization (%)



— G&Ts rated A+ and above  
 — A rated G&Ts  
 — A- rated G&Ts  
 — Golden Spread

Debt-to-Funds Available for Debt Service (FADS)



Golden Spread has been planning for its capital expansion plan by accumulating equity and producing margins to achieve ratios that significantly exceed the average ratios of other Generation and Transmission cooperatives.

(Source Data: Fitch Ratings' U.S. Public Power Peer Studies issued in 2007 through 2009)



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.  
MEMBER COOPERATIVES' INFORMATION




2009 SUMMARY	BAILEY COUNTY	BIG COUNTRY	COLEMAN COUNTY	CONCHO VALLEY	DEAF SMITH	GREENBELT
Number of Employees . . . . .	42	54	31	49	52	33
Total Services in Place . . . . .	10,398	17,337	12,372	15,113	15,333	5,954
Miles of Line . . . . .	2,823	5,286	3,774	3,962	4,727	2,378
Peak Demand (kW - NCP) . . . . .	98,102	38,925	28,785	45,545	178,604	22,058
Sales (MWh) . . . . .	289,745	218,218	119,460	220,807	598,788	103,523
Net Utility Plant . . . . .	\$ 36,267	\$ 40,847	\$ 16,430	\$ 46,895	\$ 40,019	\$ 20,591
Assets . . . . .	\$ 53,350	\$ 57,892	\$ 25,038	\$ 61,214	\$ 81,650	\$ 27,087
Margins Plus Equities . . . . .	\$ 31,704	\$ 28,321	\$ 12,493	\$ 24,446	\$ 57,780	\$ 7,488
Revenues . . . . .	\$ 26,729	\$ 22,182	\$ 10,920	\$ 21,873	\$ 49,334	\$ 10,183
Cost of Purchased Power . . . . .	\$ 17,851	\$ 11,931	\$ 6,500	\$ 12,218	\$ 36,373	\$ 5,242
Interest on Long-Term Debt . . . . .	\$ 716	\$ 999	\$ 541	\$ 1,645	\$ 580	\$ 729
Net Margins . . . . .	\$ 6,393	\$ 2,768	\$ 1,257	\$ 3,371	\$ 7,844	\$ 1,122
DSC . . . . .	1.99	2.42	2.29	1.72	6.52	1.42
Equity Ratio (%) . . . . .	59.43	48.92	49.90	39.93	70.77	27.64
Net Plant to Net Debt . . . . .	2.68	1.87	1.67	1.53	4.30	1.28
	LAMB COUNTY	LIGHTHOUSE	LYNTEGAR	NORTH PLAINS	RITA BLANCA	SOUTH PLAINS
Number of Employees . . . . .	42	38	110	31	28	134
Total Services in Place . . . . .	12,504	9,876	25,049	6,899	7,534	58,933
Miles of Line . . . . .	3,033	4,240	6,877	3,567	3,136	9,512
Peak Demand (kW - NCP) . . . . .	116,166	104,632	185,772	54,626	54,621	295,067
Sales (MWh) . . . . .	363,843	291,665	653,054	224,210	284,109	1,353,740
Net Utility Plant . . . . .	\$ 38,974	\$ 34,052	\$ 89,353	\$ 29,615	\$ 16,049	\$ 151,649
Assets . . . . .	\$ 63,817	\$ 58,534	\$ 152,556	\$ 47,255	\$ 38,690	\$ 213,432
Margins Plus Equities . . . . .	\$ 28,691	\$ 28,024	\$ 77,147	\$ 25,455	\$ 34,368	\$ 82,375
Revenues . . . . .	\$ 30,651	\$ 24,185	\$ 54,633	\$ 20,138	\$ 21,305	\$ 111,206
Cost of Purchased Power . . . . .	\$ 21,529	\$ 17,198	\$ 36,377	\$ 12,410	\$ 14,590	\$ 84,392
Interest on Long-Term Debt . . . . .	\$ 1,258	\$ 1,242	\$ 3,295	\$ 762	\$ 47	\$ 5,020
Net Margins . . . . .	\$ 4,601	\$ 1,632	\$ 2,024	\$ 3,240	\$ 4,035	\$ 9,054
DSC . . . . .	2.51	1.33	1.19	2.44	12.98	2.08
Equity Ratio (%) . . . . .	44.96	47.88	50.57	53.87	88.83	38.60
Net Plant to Net Debt . . . . .	1.80	1.62	1.55	2.09	(2.01)	1.58
	SOUTHWEST TEXAS	SWISHER	TAYLOR	TRI-COUNTY	TOTAL	
Number of Employees . . . . .	41	37	70	89	881	
Total Services in Place . . . . .	12,019	8,962	22,987	25,501	266,771	
Miles of Line . . . . .	5,155	3,543	4,748	5,359	72,120	
Peak Demand (kW - NCP) . . . . .	23,975	72,937	90,304	139,563	1,549,682	
Sales (MWh) . . . . .	185,032	185,928	262,618	760,795	6,115,535	
Net Utility Plant . . . . .	\$ 26,102	\$ 18,493	\$ 56,624	\$ 136,210	\$ 798,171	
Assets . . . . .	\$ 36,537	\$ 36,261	\$ 79,520	\$ 169,961	\$ 1,202,795	
Margins Plus Equities . . . . .	\$ 29,004	\$ 24,212	\$ 28,693	\$ 29,704	\$ 549,905	
Revenues . . . . .	\$ 17,101	\$ 18,052	\$ 29,764	\$ 57,794	\$ 526,050	
Cost of Purchased Power . . . . .	\$ 9,898	\$ 12,651	\$ 14,649	\$ 35,639	\$ 349,448	
Interest on Long-Term Debt . . . . .	\$ 305	\$ 440	\$ 2,688	\$ 7,481	\$ 27,748	
Net Margins . . . . .	\$ 3,550	\$ 1,955	\$ 3,712	\$ 183	\$ 56,741	
DSC . . . . .	3.99	1.81	2.05	1.08	1.94	
Equity Ratio (%) . . . . .	79.38	66.77	36.08	17.48	45.72	
Net Plant to Net Debt . . . . .	5.42	2.95	1.35	1.18	1.69	

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

Dollar values are in thousands.

# COOPERATIVE MAP



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



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

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