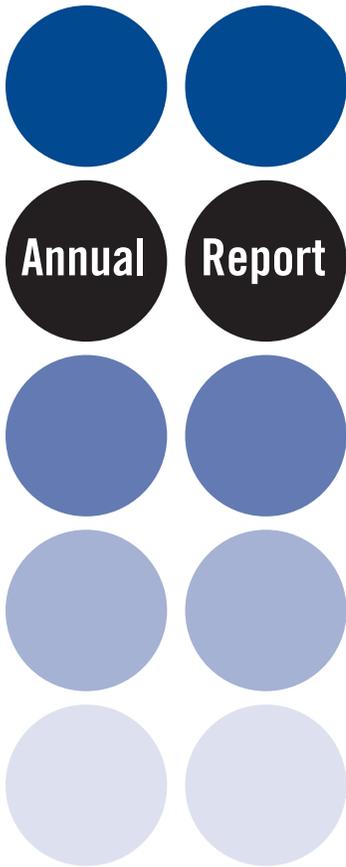


Northfork Electric
Cooperative, Inc.

2011

Annual

Report



NFEC Board of Trustees



(Standing left to right) Danny Davis, Ransom Snowden, Lendell Stowers, Charles Hickey and Lloyd Joe Patton. (Sitting left to right) Larry Smith, Jimmy Taylor and Chris Mackey.

Northfork Electric Cooperative serves 6,531 meters through 2,462 miles of distribution lines in all or portions of Beckham, Custer, Dewey, Greer, Harmon, Roger Mills and Washita counties. The Cooperative's headquarters are located in Sayre.

Thirty-two employees travel the Cooperative's 1,004 square mile service territory daily.

The Cooperative is governed by an eight-member Board of Trustees who represent each of the Cooperative's districts. The Trustees are nominated by a Nominating Committee and are elected by the membership attending annual meeting.

Official Notice Annual Meeting

The annual meeting of the members of Northfork Electric Cooperative, Inc. will be held at Sayre Municipal Park, City of Sayre, Oklahoma, on the 18th day of August 2012. Registration for the meeting will begin at 9:00 a.m.

Purpose of the meeting is to elect Trustees/Directors for the Cooperative to serve for the following periods of time and/or until their successors have been elected and shall have qualified places number Six (6) and Seven (7) for a period of three (3) years.

The Nominating Committee, appointed by the Board of Trustees, will present nominees for places Six (6) and Seven (7). Report of the Nominating Committee will be posted at the Cooperative headquarters in Sayre, Oklahoma and will be presented to the membership at the annual meeting.

Members are further notified that additional candidates may be nominated by petition signed by fifteen (15) members of the Cooperative, no less than forty-five (45) days prior to the meeting, and by petition, may nominate one (1) or more individuals for places Six (6) and Seven (7).



Jimmy Taylor
President, Board of Trustees

Tomorrow's Energy

A couple of years ago there was an issue facing the rural electric program that had the potential to have a negative effect on our cooperative and your pocketbook as a consumer. The threat was the Cap and Trade bill that was making its way through Congress at the time.

As a result of this threat NRECA initiated a national campaign called Our Energy, Our Future. The program enabled our cooperative members to express their concern with that particular piece of legislation. Several of you participated and with other co-op members from across America, we were able to help push that debate in a different direction.

We are now being faced with a current issue that again has the potential to negatively impact your future electric rates. The EPA has proposed greenhouse gas emissions rules that would effectively eliminate coal as a future source of fuel. To accomplish what the EPA wants them

to do; new coal plants would have to use technology that is not commercially available at this time.

To meet our future electricity generation needs, it is important to have all fuel options available as we continue to try to keep our costs down. This includes natural gas, renewable, coal and nuclear.

Once again you have an opportunity to help us with this issue by letting the EPA know you oppose the proposed rule. It's as easy as it was last time. Simply go to the website **www.ourenergy.coop**. Go to the Join the Campaign box in the upper right hand corner and click on Take Action. This should take you where you need to go to complete your participation.

The more members who participate, the louder our voice is. This is an opportunity for you to help keep our future electric rates affordable. Thank you for your help. I look forward to seeing you at our 73rd Annual Meeting.

Free Dollar Coin

A free dollar coin will be given to each member's child (12 years old and younger) when they register at the Annual Meeting registration booth.

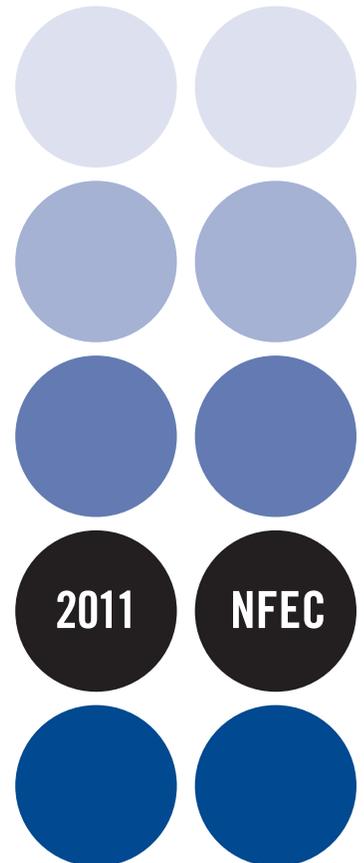
Children must be present. Please list each child's name and age:

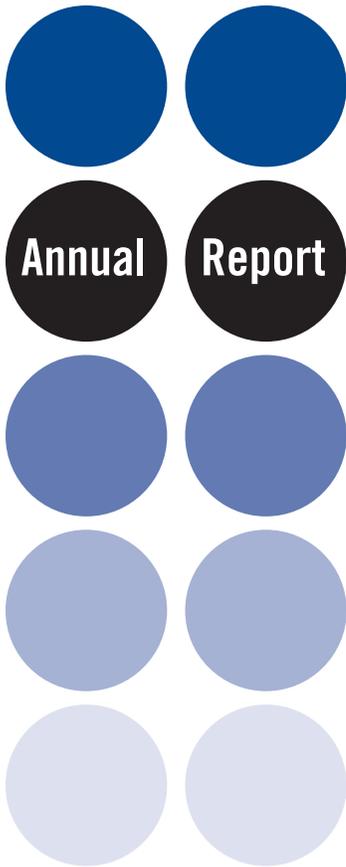
Name _____

Name _____

Name _____

Parent's Name(s) _____





Room to grow

For the past several years, I have used this column in our Annual Report to tell you about the phenomenal growth that our distribution system has been experiencing. After a brief plateau in 2010, that growth trend has continued to amaze us. Over an eight year period, the energy (kilowatt-hour or kWh) sales and the total demand (measured in kW) for our system have both grown by over 118 percent! The construction work to increase the capacity of our distribution system and the addition of new lines is reflected in the growth of our total utility plant from a value of \$23,427,478 in 2004 to \$41,084,445 at the close of 2011. That's an increase of 75.4 percent in eight years, and there is no indication that it is going to slow down anytime soon.

This sustained growth has brought about many changes here at NFEC. Most obvious has been the aggressive

**75.4%
GROWTH
in 8 years**

construction of more, as well as bigger, powerlines. It has also affected the look of our organizational chart. We have more construction crews than we did in 2004. The implementation

of automated meter reading, electronic switching and SCADA controls, etc., has created new jobs that didn't even exist eight years ago. While the look of our

organization has changed considerably, I am proud to say the number of employees has not changed significantly. In 2004, we had 29 full-time employees. At the close of 2011, we had 32.

We have worked hard to meet the challenge of our extreme growth rate and in doing so, have become a better, more efficient organization. That is the result of two things: (1) hiring and keeping quality employees, and (2) supporting them with wise investments in training, technology and equipment. Having the right skills and equipment to do a job makes all the difference in the world. We pride ourselves in providing everything our employees need to do their jobs as efficiently and safely as possible, so that we can provide you the highest quality services at the lowest practical cost.

Our growth period has now brought us to the point of necessity in making another investment in the future of the Cooperative. Our headquarters facility has remained at the same location on Sayre's Main Street where the Cooperative began its mission back in 1938. The original building was expanded as the Cooperative grew, and was then modified for use as a warehouse and linemen facility in 1977 when the current office building was constructed. For the past 35 years, the newer building has housed all offices of the organization except for the materials management and metering departments, which are located in the warehouse facility. A shop building



Scott Copeland
General Manager

for fleet and equipment maintenance built in the late 1950's is also still in use today. We also have two pole and material storage yards off-site.

As the Cooperative has grown, we have modified and improvised to the point that we have exhausted all possible options in being able to continue to operate efficiently from our existing facilities. Inadequate space for employee training, materials inventory, fleet parking, and equipment testing is compromising efficiency, as well as safety. Our major construction vehicles (digger & bucket trucks) can no longer even fit through the shop door for routine maintenance.

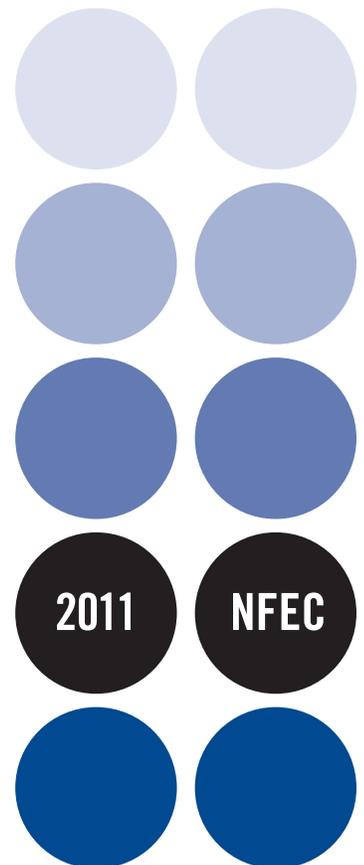
Almost four years ago, the Board of Trustees recognized the need to address mounting concerns regarding our existing facilities. A committee was formed to work with management in identifying potential solutions. The process has been thorough and deliberate with the goal of bringing to the Board our recommendation of a plan for a facility that will best address the needs of the Cooperative today and well into the future. I believe we are very close to bringing a very viable solution to the Board for their consideration. As always when the Board conducts the business of the Cooperative, you, as member-owners, are the focus of their concern.

Be sure to watch the Sparks & Flashes in coming months for more information

as we prepare to make some important decisions on this important project. In the meantime, if you have any questions or would like to view our existing facilities, we welcome you to call or come by and see us.

Please make plans to be with us Saturday, August 18 at the Sayre Municipal Park for Northfork's 73rd Annual Meeting of the Membership. Besides taking an active part in the business of your Cooperative, our morning will be filled with some good country music, prize drawings, free swimming & miniature golf, and great fellowship with your friends and neighbors. You will have the opportunity to help someone you probably don't even know when the Oklahoma Blood Institute holds its blood drive in conjunction with our meeting. If all that isn't enough, come enjoy the delicious free barbeque dinner served up by Dyer's BBQ from Pampa, TX.

Don't have all day to spend with us? That's great because you can be on your way home by 1:00 p.m. Make it a point to be there this year! You'll be glad you did.





Statement of Revenue and Expenses

For the year ending December 31, 2011

OPERATING REVENUE:

Residential	\$7,274,376
Irrigation	516,416
Small commercial	1,959,693
Large commercial	10,409,514
Public street & highway lighting	235,172
Miscellaneous service revenue	73,048
Total operating revenue	\$20,468,219

OPERATING EXPENSES:

Purchased power	\$14,021,397
Distribution expense - operation	836,724
Distribution expense - maintenance	1,272,848
Administrative and general expense	1,136,267
Consumers' accounting and collection expense	475,341
Energy conservation / utilization	82,756
Depreciation	1,006,270
Tax expense	1,743
Interest expense on long-term debt	844,190
Other deductions	<u>30,066</u>
Total operating expenses	\$19,707,602

Operating margins (patronage capital) for the year	\$760,617
Non-operating margins (patronage capital) for the year	22,022
Western farmers & other patronage capital for the year	<u>368,350</u>
Net margins	\$ 1,150,989

RATIO OF OPERATING REVENUE*

Residential	36%
Irrigation	2%
Small commercial	10%
Large commercial	51%
St. & Highway lighting	1%
Misc service revenue	0%

RATIO OF OPERATING EXPENSES*

Purchased power	71%
Oper., Maint., & Adm.	17%
Consumers' acc't. & Coll.	3%
Energy conserv. / Utilizat.	0%
Depreciation	5%
Taxes	0%
Interest	4%

*ALL PERCENTAGES ROUNDED TO
NEAREST 1%

Balance Sheet

For the year ending December 31, 2011



ASSETS:

Total cost of utility plant	\$41,084,445	
Less depreciation reserve	<u>10,681,042</u>	
Net value of utility plant		\$30,403,403
Operating funds		1,064,072
Special deposits		0
Investments in associated organizations		586,854
Amount due from electric bills		2,411,361
Amount due from other accounts receivable		108,474
Inventory on hand		657,124
Investments in associated organizations - patronage capital		4,761,825
Other assets		<u>155,442</u>
Total assets		<u>\$40,148,555</u>

LIABILITIES:

We have borrowed from CFC	\$2,040,300	
Amount not advanced	0	
Less payments on principal	<u>946,928</u>	
Balance we owe CFC		\$1,093,372
We have borrowed from RUS	\$47,438,685	
Amount not advanced	12,000,000	
Less payments on principal	<u>13,673,188</u>	
Balance we owe RUS		<u>\$21,765,497</u>
Balance we owe CFC and RUS		\$22,858,869
Notes payable		700,000
Accounts payable		2,032,438
Prepayments and accruals		222,114
Meter deposits		99,816

MEMBERS' EQUITY (NET WORTH):

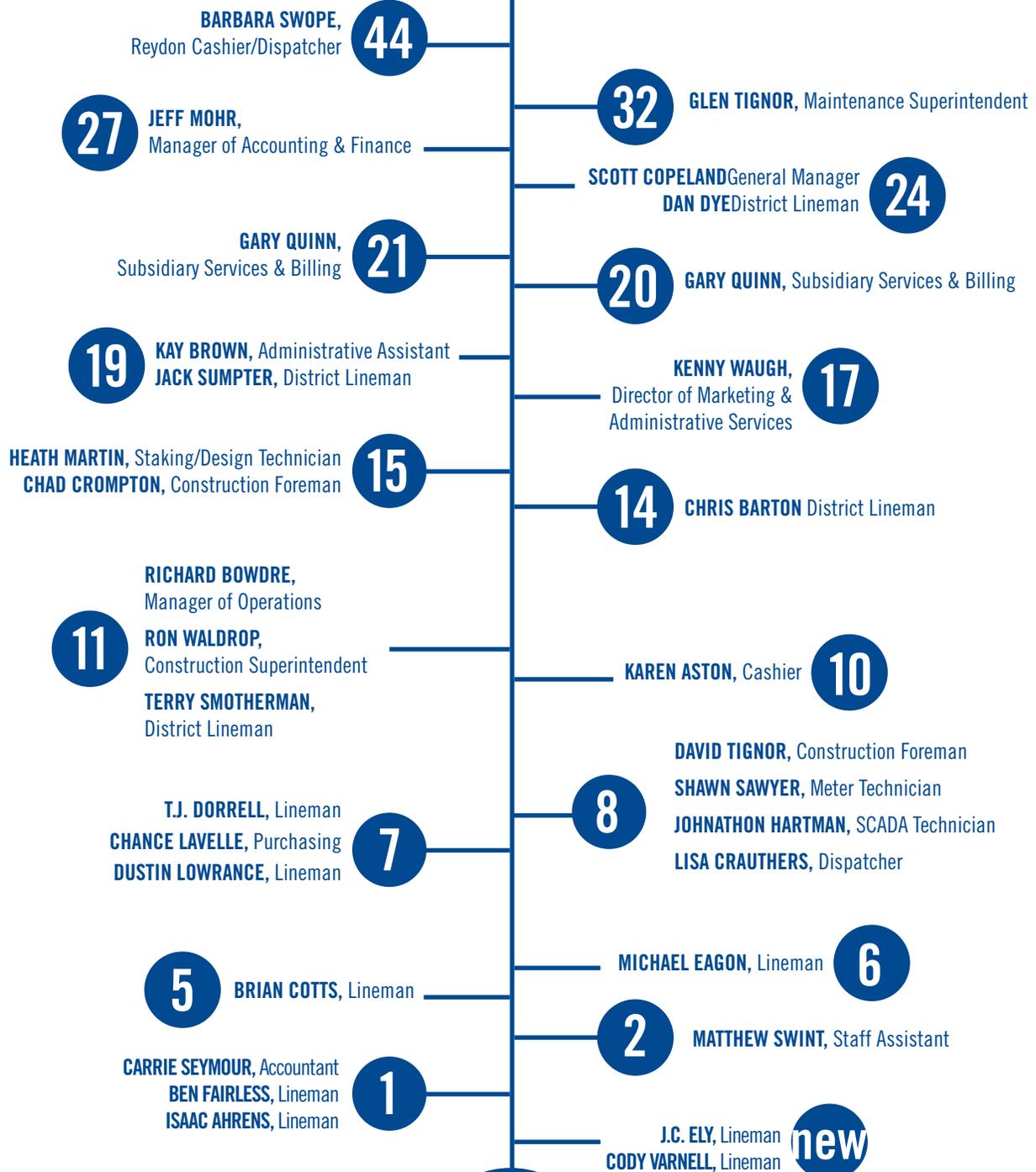
Membership fees		124,655
Patronage capital		14,057,671
Other margins and equities		<u>52,992</u>
Total liabilities and member's equity		<u>\$40,148,555</u>

I certify that the above financial report is a true and accurate statement of Northfork Electric Cooperative, Inc., To the best of my knowledge and belief.

The records of the cooperative were audited for the fiscal year ended June 30, 2011 by Briscoe, Burke & Grigsby, LLP, Certified Public Accountants, Tulsa, Oklahoma.

— RANSOM SNOWDEN, SECRETARY-TREASURER

Dedicated Employees Serving You



Years
of
Service