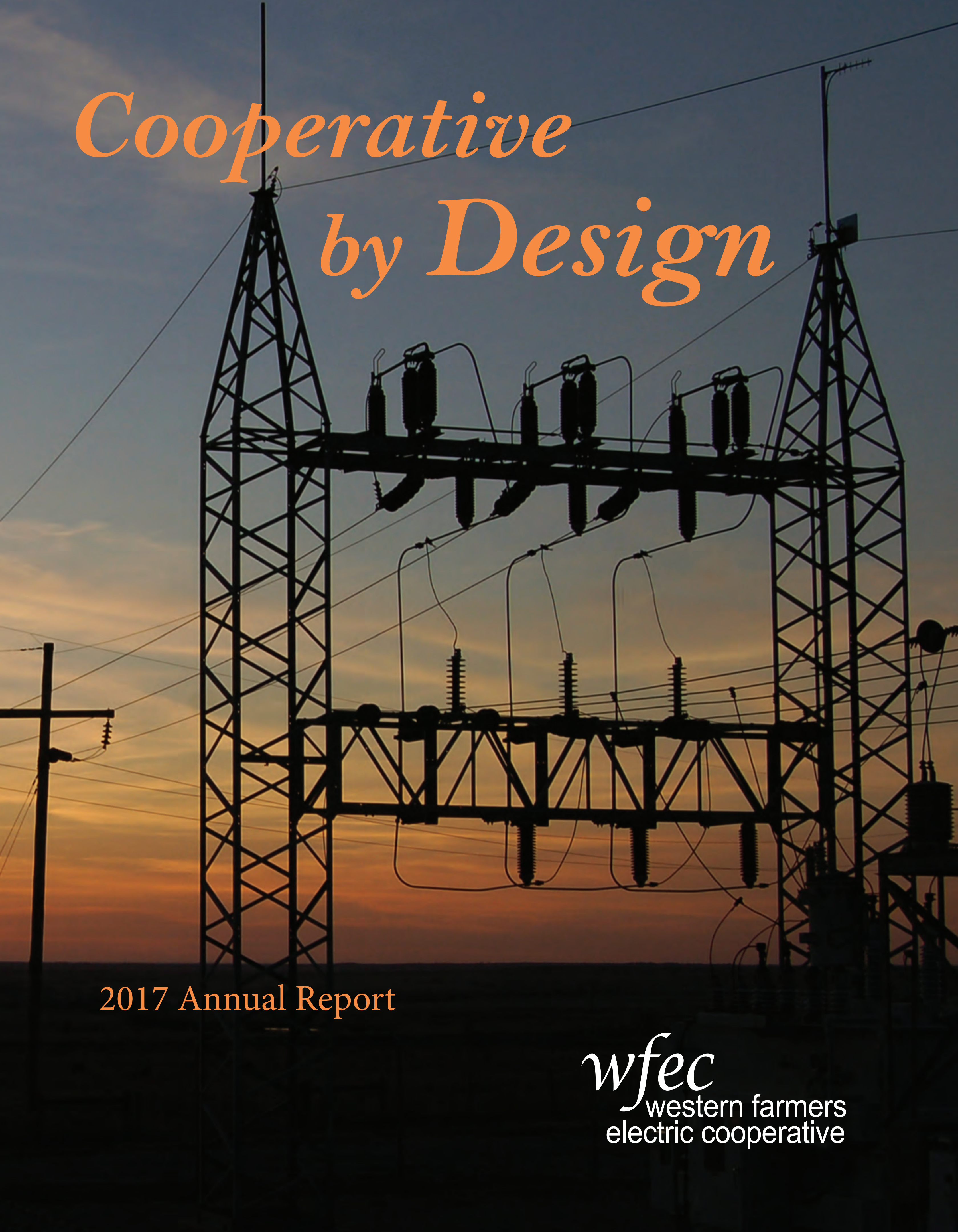
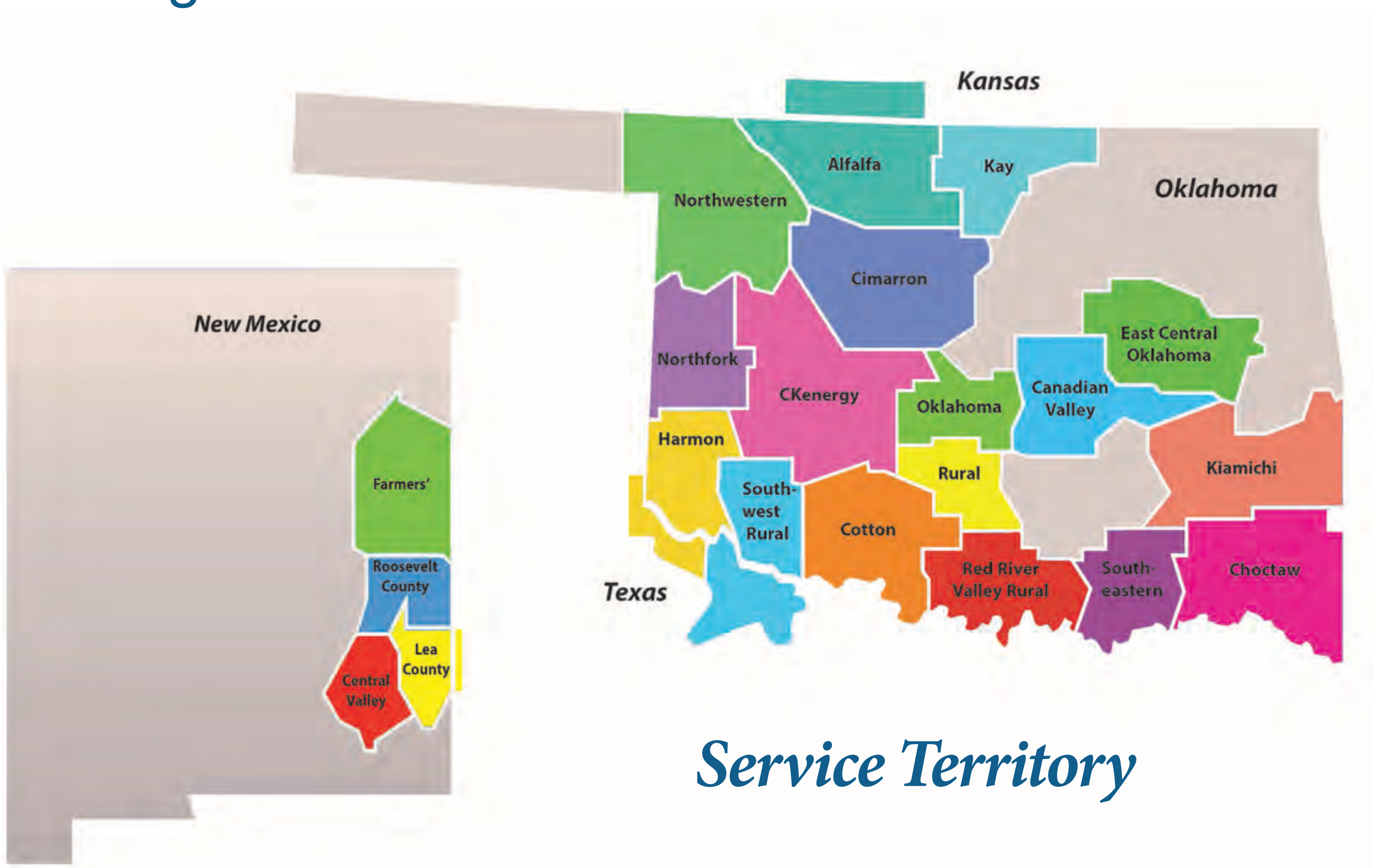
Cooperative by Design



2017 Annual Report

wfec
western farmers
electric cooperative

Designed for MEMBERS



Service Territory

WFEC's Distribution Member Cooperatives

Alfalfa Electric Cooperative	Cherokee, Okla.
Canadian Valley Electric Cooperative	Seminole, Okla.
Central Valley Electric Cooperative	Artesia, N.M.
Choctaw Electric Cooperative	Hugo, Okla.
Cimarron Electric Cooperative	Kingfisher, Okla.
CKenergy Electric Cooperative	Binger, Okla.
Cotton Electric Cooperative	Walters, Okla.
East Central Okla. Electric Cooperative	Okmulgee, Okla.
Farmers' Electric Cooperative	Clovis, N.M.
Harmon Electric Association	Hollis, Okla.
Kay Electric Cooperative	Blackwell, Okla.
Kiamichi Electric Cooperative	Wilburton, Okla.
Lea County Electric Cooperative	Lovington, N.M.
Northfork Electric Cooperative	Sayre, Okla.
Northwestern Electric Cooperative	Woodward, Okla.
Oklahoma Electric Cooperative	Norman, Okla.
Red River Valley Rural Electric Assoc.	Marietta, Okla.
Roosevelt County Electric Cooperative	Portales, N.M.
Rural Electric Cooperative	Lindsay, Okla.
Southeastern Electric Cooperative	Durant, Okla.
Southwest Rural Electric Association	Tipton, Okla.

WFEC supplies the electric needs of 17 member distribution cooperatives and Altus Air Force Base in Oklahoma, plus four cooperatives in New Mexico. Some service territories extend into Kansas and Texas.

Designed for DIVERSITY

Energy Sales (Member & Contract Sales)	$599 million
Total Operating Revenue	$687 million
Net Margins	$14 million
Assets	$1,385 million
Members	22
Member Consumer Meters Served	320,062 (est.)
Member Population Served	549,620 (est.)
System Peak Demand	1,927 MW
Miles of Transmission Line	3,750 miles
Substations & Switch Stations	over 330
Number of Employees	413

Fuel Mix

megawatts (MW)

Generating Capacity:	
Gas-Fired (Oklahoma)	891 MW
Gas-Fired (New Mexico)	43 MW
Coal-Fired (Oklahoma)	436 MW
Total Generating Capacity	1,370 MW
Power Purchases:	
Gas-Fired	250 MW
Hydro	260 MW
Portfolio of GRDA assets (Grand River Dam Authority)	200 MW
New Mexico Contracts - Portfolio	243 MW
Total Purchase Power	953 MW
SPP Accredited Solar/Wind:	132 MW
Total Combined Capacity	**2,455 MW**
Wind:**	
Oklahoma	515 MW
New Mexico	90 MW
Total Wind	**605 MW**
2018 - planned wind - Oklahoma	100 MW
Solar:**	
New Mexico	30 MW
Oklahoma	21 MW
Total Solar	**51 MW**

***WFEC purchases or produces energy from various wind and solar resources. However, WFEC has not historically, nor may not in the future, retain or retire all of the renewable energy certificates associated with the energy production from these facilities.*

Designed to DELIVER

About WFEC

Western Farmers Electric Cooperative (WFEC) is a generation and transmission (G&T) cooperative that provides electric service to 21 member cooperatives and Altus Air Force Base. These members are located primarily in Oklahoma and New Mexico, with some service areas extending into parts of Texas and Kansas.

WFEC was organized in 1941 when western Oklahoma rural electric distribution cooperatives found it necessary to secure an adequate power supply at rates farmers and rural industrial developers could afford. Today, WFEC continues to deliver safe, reliable and competitively priced wholesale energy across its large service territory, while strengthening the organization, its member cooperatives and its employees. Strong member support and unity ensure mutual success.

WFEC is led by an experienced management group, with years of industry experience, and is governed by a 22-member Board of Trustees.

Now in its 77th year of operation, the Anadarko-based G&T has seven generating facilities, located at Mooreland, Anadarko and Hugo, Okla., and Lovington, N.M., with a total power capacity of almost 2,500 megawatts (MW), including hydropower allocation, accredited solar and wind, and other contract power purchases.

With a well-balanced and diversified portfolio of generation resources, WFEC is able to reduce exposure to changing market conditions, which helps to keep rates competitive. This blend reflects a mix of technologies and fuel types, including owned facilities and capacity, in addition to energy provided through contracts and power purchase agreements (PPAs).

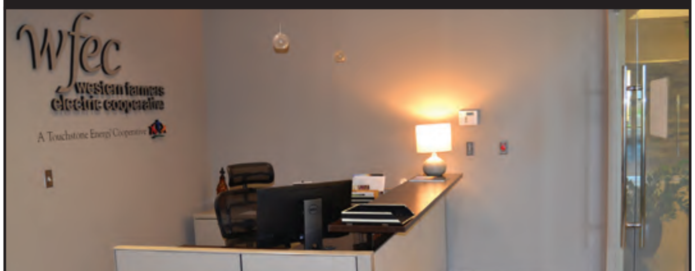
WFEC owns and maintains 3,750 miles of transmission line to more than 330 substations and switch stations across the service territory.

Line Type (as built)	Miles
345 kV	152
161 kV	7
138 kV	2,207
69 kV	1,384
Total	**3,750**

Anadarko Headquarters

Location: Anadarko, Okla.
First Office at New HQ Site: 1954
New Building Addition: 1968
Four-Story Addition: 1980
Employees at Headquarters & Transmission & Distribution Crews: 214

Moore Business Office



Location: Moore, Okla.
Open for Business: 2016
Employees at Moore: 26

WFEC Mission Statement Revised

WFEC revised its current Mission Statement in mid-2017 to reflect changing the words customers and owners to "members" to emphasize that WFEC is a member-based service organization.

New WFEC Mission Statement

To honorably serve our members with reliable, competitively priced energy and related services while providing a quality work environment and being responsive to the needs of our members and the community.

WFEC's Generation Facilities

Anadarko Plant

Location: Anadarko, Okla.
In-Service Years: 1953-1959
Capacity: (3 units) 40 MW
Fuel: Gas Steam

In-Service Year: 1977
Capacity: (3 units) 289 MW
Fuel: Gas Combined Cycle

Employees at Anadarko Plant: 46

Mooreland Plant

Location: Mooreland, Okla.
In-Service Years: 1964-1975
Capacity: (3 units) 329 MW
Fuel: Gas Steam
Employees at Mooreland: 46

GenCo Plant

Location: Anadarko, Okla.
In-Service Year: 2001
Capacity: (2 units) 92 MW
Fuel: Gas Combustion Turbine

Hugo Plant

Location: Hugo, Okla.
In-Service Year: 1982
Capacity: 436 MW Fuel: Coal
Employees at Hugo: 83

Orme Plant

Location: Anadarko, Okla.
In-Service Year: 2009
Total Capacity (3 units): 141 MW
Fuel: Gas Combustion Turbine

LCEC Generation Plant

Location: Lovington, N.M.
In-Service Year: 2012
Capacity (5 units): 43 MW
Fuel: Gas

CEO Report

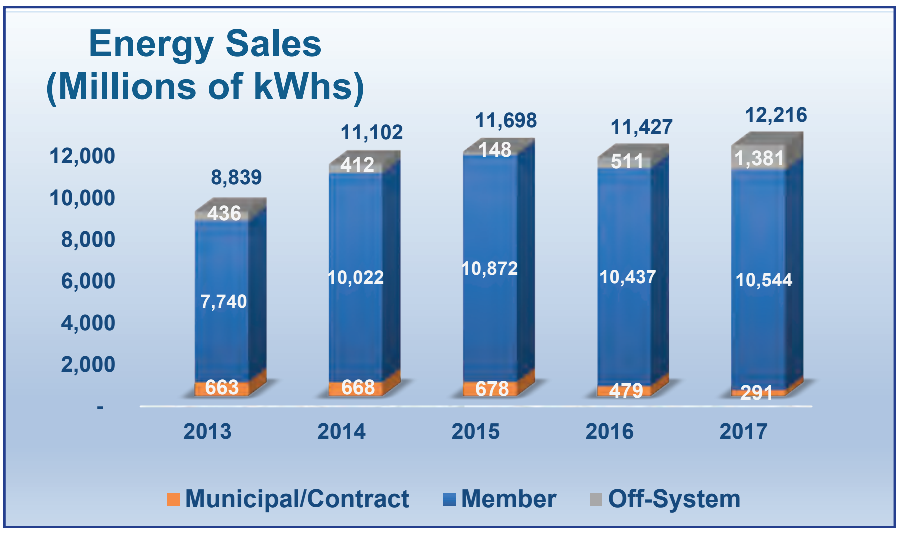
For Western Farmers Electric Cooperative (WFEC), 2017 can best be described as unusual, based on factors such as temperatures, load transitions, wholesale rates and a bright new fuel source. The year both started and ended with extremely cold temperatures. In between, there was around 49 weeks of very mild weather. The winter months ended over 11.5% milder than normal, while the summer was over 20% milder than normal.

Despite the weather, slowing oil and gas production in certain areas and continuing improvements in efficiency for consumers, megawatt-hour (MWh) sales to members inked a 1% increase over 2016 and total sales were up approximately 7%. With normalization of weather, 2018 member sales have the potential to show a healthy increase from these levels.

Regarding load transitions, WFEC experienced reduced contract sales with several expiring municipal contracts and an accelerated exit schedule of a customer. However, the planned Phase II transfer of load to WFEC from its four New Mexico members occurred as expected on June 1, and will more than offset the loss of load as they continue transitioning from an existing power supplier to full-requirements from WFEC.

A highlight in 2017 was the successful completion of an ongoing effort to extend WFEC member Wholesale Power Contracts from 2050 to 2065, supporting long-term planning and financing of capital investment.

Chief Executive Officer Gary Roulet (seated)
WFEC Board of Trustee President Charles Hickey



2017 MWh sales to members inked a 1% increase over 2016, with total sales up by approximately 7%. On May 2014, New Mexico member's third-party supplier contracts were assigned to WFEC, leading to the increased sales between 2013 and 2014.

Significant oil and gas development is continuing in the southern New Mexico Cooperative territories of Lea County Electric and Central Valley Electric, both located in the Permian Basin. In Oklahoma, Cimarron Electric, Oklahoma Electric and Rural Electric are adding new load from development in the STACK (Sooner Trend Anadarko Basin Canadian and Kingfisher Counties) and SCOOP (South Central Oklahoma Oil Play) oil plays. The affected areas in Oklahoma have required significant investment by WFEC with substations, upgraded lines and new lines.

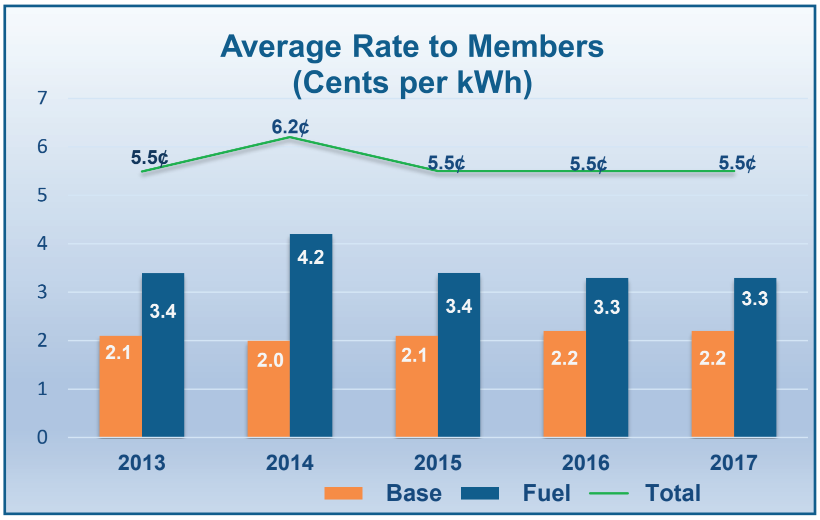
In 2016, at the request of WFEC, the Southwest Power Pool (SPP) filed proposed revisions to its Open Access Transmission Tariff to adopt a Formula Transmission Rate (FTR). This new rate allows WFEC to more appropriately recover transmission investments and costs from users of its transmission system on a timely basis.

A new "unbundled" wholesale member rate was approved by the Board of Trustees. This rate reflects separate pricing of major cost components for generation (fixed, variable and fuel costs), transmission and distribution components of providing wholesale electricity, allows more transparency into each component of WFEC's business costs and allows separate cost recovery.

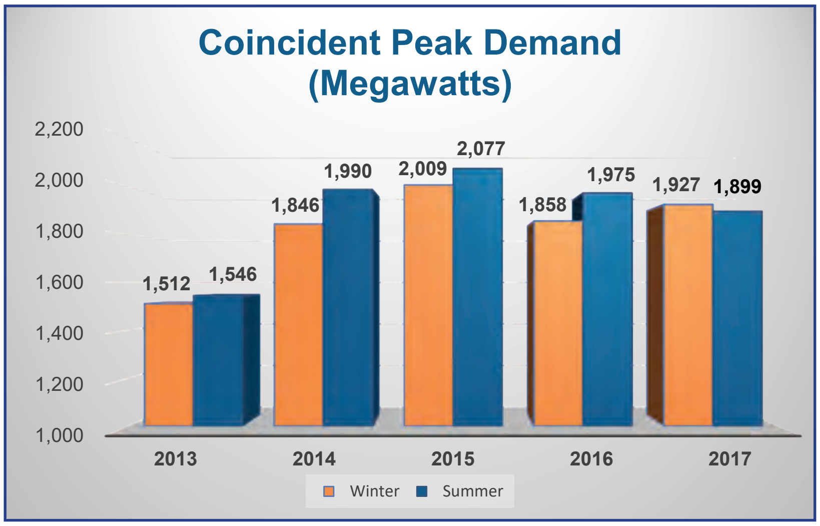
With this transparency, each part of the cooperative recovers actual cost plus margin to ensure that shifting of costs or subsidization of costs does not occur. The new tariff was implemented on April 1, 2017 as a rate neutral change to WFEC. The neutrality was verified at year's end with the average wholesale rate of Oklahoma member energy sales in 2017 remaining flat at 5.5 cents per kilowatt-hour (kWh) compared with near equal wholesale power costs for 2015 and 2016.

Multiple utility and community scale solar projects, totaling about 21 megawatts (MW), were placed into commercial service during 2017. Accomplished with lease/purchase financing, it is anticipated these projects will ultimately be owned by WFEC. A solar rider to the wholesale rate was implemented for participating members in 2017.

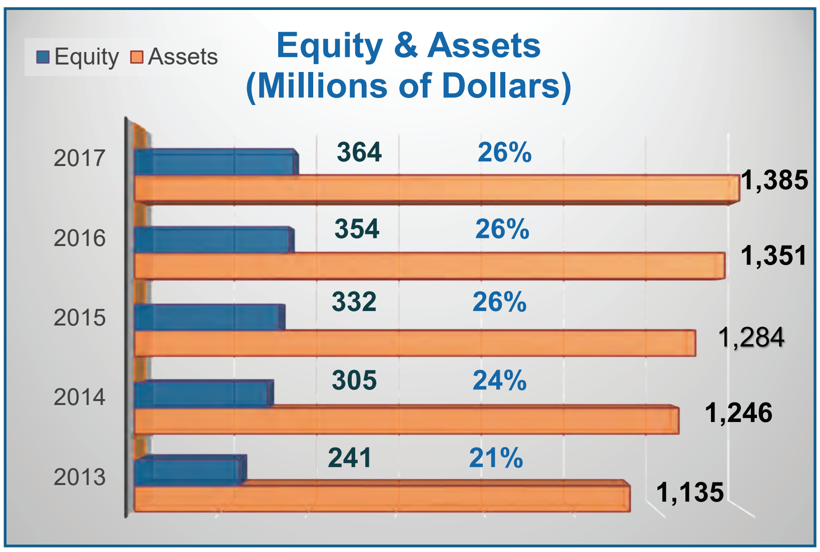
Finally, WFEC was able to meet or exceed Board of Trustee goals and financial lenders' debt covenants for the year, while maintaining a safe, environmentally friendly, competitive membership.



Base rates have banded tightly in the low two cent per kWh range the last five years, while average member rates fluctuated primarily in response to natural gas prices.



The coincident peak demand was slightly less than 2016, reflecting mild weather, slowing oil and gas production in certain areas and improvements in efficiency for consumers.



WFEC has maintained financial strength with a consistent equity-to-asset ratio as capital investments continue. The Board's financial goals provide margins sufficient to grow equity and cash reserves that enable the cooperative to better manage its projected capital expenditures for the benefit of its members at reasonable interest costs.

Financial goals met in 2017

The financial goals set by the Board to achieve certain levels of liquidity, equity, debt service coverage (DSC) and Margins for Interest (MFI) were met while juggling a myriad of changes in 2017, including:

- WFEC entered into a capital lease for multiple utility and community scale solar generation facilities to provide solar capability to its members and the members to their customers.
- WFEC has maintained an "A-" rating and Stable Outlook from Fitch Ratings and Standard and Poor's Global Ratings.

January

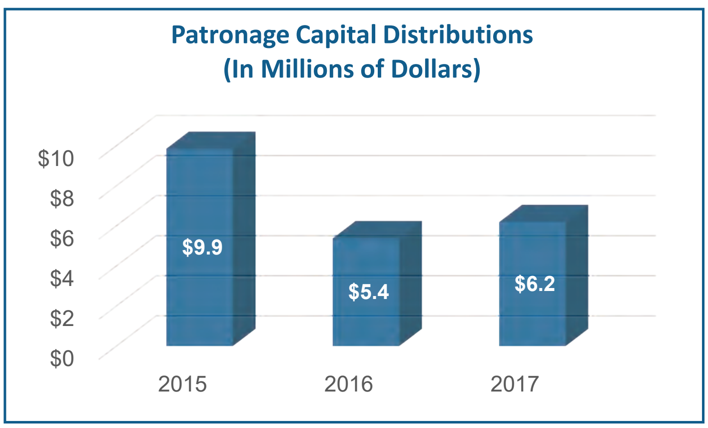
- A new Solar Rate Rider to the member wholesale rate was implemented for members participating in community solar projects.
- The Board authorized a new generation depreciation rate for the Hugo Plant increasing depreciation expense approximately $6.5 million.

April

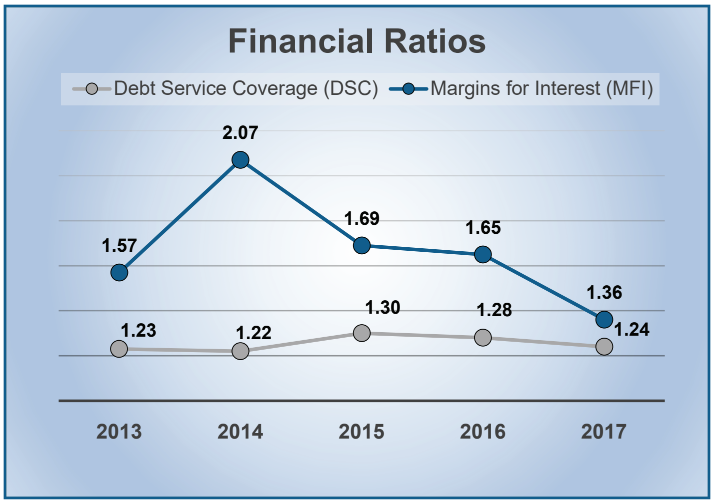
- A new "unbundled" member wholesale power rate, which reflects separate pricing of major cost components, was implemented.
- After demonstrating solid financial performance, the Board authorized a patronage capital distribution of approximately $6.2 million.

June

- WFEC continued on the planned transition of increased load responsibility for the New Mexico members by implementing Phase II of a transition agreement and assuming an additional 80 MW of load obligation.



WFEC's Board of Trustees has authorized patronage capital distributions to members for three consecutive years.



Board-targeted financial ratios were achieved, demonstrating sound financial performance and enabling continuing access to financing.

July

- Based on year-to-date and projected financial performance, a Transmission and Distribution Demand Rate reduction to the member wholesale rate was implemented.

September

- The Rural Utilities Service approved a $382,514,000 loan guarantee commitment for WFEC's 2016-2019 construction work plan which will be utilized for generation, transmission and distribution projects.

October

- A new Commercial and Industrial Rate Rider to the member wholesale rate was implemented.

December

- WFEC modified its Revenue Deferral Plan to reflect an increase of the net credit due from SPP's resettlement of revenue credits under the SPP Open Access Transmission Tariff, Attachment Z2 credit process. The process is designed to compensate entities that pay for certain transmission construction and upgrades that are subsequently used to provide transmission service.

Electric vehicle, energy efficiency programs highlight 2017

Marketing and Member Relations staff began the member education process regarding electric vehicles (EV) and program development around what is possibly a game changer for the electric utility industry. The latter half of 2017 was spent emphasizing the EV learning curve, as a coordinated marketing effort will be unveiled in 2018 that will encompass everything from general education and marketing to strategically placed infrastructure development for charging stations.

Marketing staff also assisted members with community solar projects as well as coordination of ongoing energy efficiency programs, including HVAC geothermal rebates and a new third-party energy audit program.

Members were also assisted in formulating strategic direction in dealing with flat to declining energy sales and distributed energy resources placed behind the retail meter.

Attendees at a recent WFEC-sponsored meeting had the unique opportunity to not only view the latest electric vehicles, but also drive and/or ride.

Unbundled wholesale rate advantageous for members

A new "unbundled" member wholesale power rate was implemented during 2017. This new rate reflects separate pricing of major cost components, which allowed more transparency into each component of WFEC's business costs.

WFEC had foreseen a need to unbundle its member wholesale rate as early as 2010. Since that time, WFEC has worked to ensure that its cost of service was appropriately functionalized into the major cost components of its business. Those components include fixed costs associated with production, transmission and distribution, as well as variable costs associated with each, along with fuel and other cost components.

WFEC worked to communicate and educate its members on the advantages of an unbundled rate, the clarity it provides for equitable cost recovery and how unbundling the wholesale rate would potentially impact each member cooperative.

Also during this time, other events, most notably the opening of the SPP Integrated Market, the implementation of a FTR, and the addition of new members that owned assets typically owned by WFEC in other member relationships, made it even more important to unbundle the wholesale rate to help ensure appropriate cost recovery and to send the desired rate signals to member cooperatives.

All of this work culminated in the implementation of the unbundled wholesale rate on April 1, 2017. The implementation was fully accomplished by July and was ultimately revenue neutral to WFEC.

Designed for ENVIRONMENT

*WFEC's wind PPAs exceeding 600 MW**

WFEC has enabled the development of several wind farms through long-term PPAs, since 2003, when signing the state's first agreement with a wind farm developer. Today, WFEC has PPAs with 12 wind farm facilities in Oklahoma and New Mexico. At the end of 2017, WFEC had a combined total of 605 MW* through these agreements. A new 100 MW addition is also set to come online in 2018.

Blue Canyon Wind Farm - 74 MW
Location: Near Lawton, Okla.
Began commercial operation in December 2003

Buffalo Bear Wind Farm - 19 MW
Location: Near Fort Supply, Okla.
Began commercial operation in December 2008

Red Hills Wind Farm - 123 MW
Location: Near Elk City, Okla.
Began commercial operation in June 2009

Rocky Ridge Wind Project - 149 MW
Location: Near Rocky, Okla.
Began commercial operation in June 2012

Wildcat Wind Farm - 25 MW
Location: Near Lovington, N.M.
Began commercial operation in July 2012

Brahms BEP Wind I & II - 10 MW each
Location: Near Grady, NM
Began commercial operation in February 2014

Anderson Wind Project I & II - 5 & 10 MW
Location: Chaves County, N.M.
Began commercial operation in December 2014

Balko Wind Project - 100 MW
Location: Near Balko, Okla.
Began commercial operation in August 2015

Grant Wind Project - 50 MW
Location: Grant County, Okla.
Began commercial operation in April 2016

Sterling Wind Farm - 30 MW
Location: Near Tatum, N.M.
Began commercial operation in July 2017

Total Oklahoma	**515 MW***
Total New Mexico	**90 MW***
Combined Total	**605 MW***

Planned for 2018 - 100 MW

Minco Wind IV – 100 MW
(Renewable Energy Power Agreement executed)
Location: Canadian & Caddo counties (Okla.)
Operational by December 2018

**WFEC purchases or produces energy from various wind and solar resources. However, WFEC has not historically, nor may not in the future, retain or retire all of the renewable energy certificates associated with the energy production from these facilities.*

Solar added to fuel mix

Utility-Scale Solar Farms
18 megawatts (MW) total*

Cyril (5 MW) Tuttle (4 MW)
Pine Ridge - Hinton - Marietta (3 MW each)
(all projects located in Oklahoma)

WFEC, under a lease agreement, maintains the utility-scale solar sites in Oklahoma, as well as the community solar locations.*

25 MW* Caprock Solar Facility
Tucumcari, N.M.

WFEC purchases all output under a 25-year PPA.

5 MW Middle Daisy Solar Facility*
Lovington, N.M.

WFEC purchases all output from the site under a 20-year PPA.

Community Solar - 3 MW total*

Sites range from 0.125 MW to 0.25 MW

11 WFEC member distribution cooperatives participating, with 13 projects.

	MW
➢ Cimarron Electric Cooperative	0.125
➢ Cotton Electric Cooperative	0.25
➢ Canadian Valley Electric Cooperative 1	0.25
➢ Canadian Valley Electric Cooperative 2	0.25
➢ East Central Okla. Electric Cooperative	0.25
➢ Harmon Electric Association	0.1
➢ Kiamichi Electric Cooperative	0.25
➢ Northwestern Electric Cooperative	0.125
➢ Oklahoma Electric Cooperative	0.25
➢ Red River Valley Rural Electric Association	0.25
➢ Southeastern Electric Cooperative	0.25
➢ Southwest Rural Electric Association (Okla.)	0.25
➢ Southwest Rural Electric Association (Texas)	0.1

2017 Solar Generation

WFEC Lease:

- 2017 Community Sites = 4,827 MWh
- 2017 Utility Scale Sites = 28,404 MWh

WFEC-PPAs:

- 2017 Caprock Site = 68,966 MWh
- 2017 Middle Daisy = 1,004 MWh

Nameplate Capacity:

- Community and Utility Scale Sites = 21 MW
- Caprock = 25 MW
- Middle Daisy = 5 MW

**WFEC purchases or produces energy from various wind and solar resources. However, WFEC has not historically, nor may not in the future, retain or retire all of the renewable energy certificates associated with the energy production from these facilities.*

WFEC's generation resources monitored for risk factors

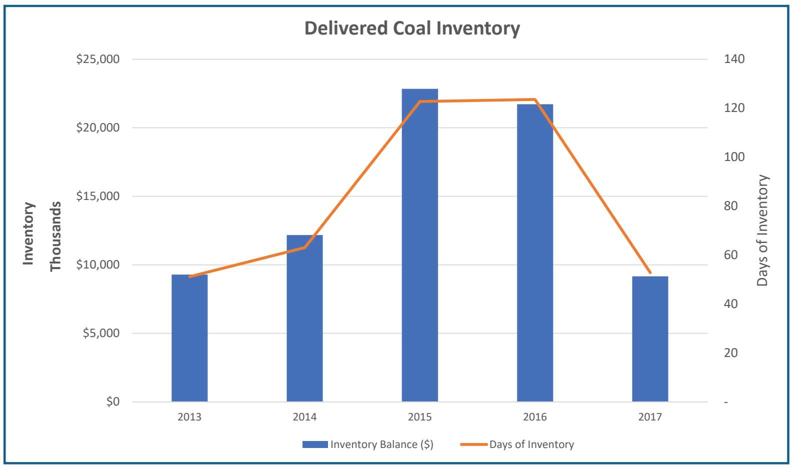
The Board continues to address current environmental, regulatory and market forces that impact the operation of WFEC's generation resources. Time is also devoted to anticipating and identifying potential future risk factors and maintaining compliance in all areas of the cooperative.

During 2017, the Board has been committed to addressing:

- Mercury and Air Toxic Standards regulations with an appropriate control system
- Cross State Air Pollution regulations with installation of dry low NOx equipment
- Greenhouse Gas rules for CO2 for existing plants
- Installation of equipment to address Coal Combustion Residuals Rules
- Effluent Limitation Guideline regulations

Other recent actions include:

- Negotiation of coal and rail contracts that provide better flexibility to manage carbon and inventory levels
- Higher generation depreciation rates to address current operating characteristics and projected depreciable life of plants
- Attention to maintenance on load-following capacity with proliferation of renewables in the SPP footprint



With new coal and transportation contracts in place for 2017, WFEC was able to implement an inventory reduction plan to burn more stockpiled coal by reducing coal shipments. WFEC reduced coal inventory from over 100 days to about 55 days, with an ultimate goal of a 45-day range. The reduction freed up over $10 million in cash for other purposes.

Environmental rules, plans continue to face utilities

Nitrogen Oxide (NOx):

The United States Environmental Protection Agency's (EPA) Cross-State Air Pollution Rule (CSAPR) includes provision related to nitrogen oxide (NOx) emissions from electric power generation plants burning fossil fuel, and, specifically, as it relates to WFEC, burning natural gas and coal. Beginning in May 2017, the rule affected more than 2,800 generating units in the U.S. Each state faced the responsibility for reducing ozone to 75 parts per billion measured over eight hours. WFEC, pursuant to the CSAPR, was allocated a number of NOx allowances, and developed a strategy for purchasing additional NOx allowances to ensure compliance for 2017.

Clean Power Plan:

On October 10, the EPA took steps to rescind the Clean Power Plan (CPP). The EPA then began accepting comments on a replacement plan that could be a lengthy process. WFEC has been positioning itself for the past several years to comply with incoming federal regulations brought by the CPP rule. WFEC's proactive measures over the years to add combustion turbine gas generation and a growing renewable energy portfolio have placed the power supplier in good standing with diverse generation assets.

Designed for AVAILABILITY

Keeping units up and running a priority for plant staff

New challenges create new opportunities, and WFEC's generating plant employees helped make 2017 a successful year. Generating facilities are located in Anadarko, Hugo and Mooreland, Okla. and Lovington, N.M., and offer a mixture of several different types of generating units, utilizing gas and coal as the primary fuel sources. Safety and unit availability are two of the largest priorities at each of the plant locations.

Anadarko Plant:

- Had a very busy year, operating 11 gas-fired units, which accumulated 2,207 unit start-ups
- There were very few days the three combined-cycle units didn't operate
- Plant availability was 89.95%
- Plant personnel completed the year with one Occupational Safety and Health Administration (OSHA)-recordable accident

Hugo Plant:

- Achieved an availability factor of 90.51%, with 18 unit start-ups
- Personnel completed the year with no OSHA-recordable accidents

Mooreland Plant:

- Generated a total net output of 415,417 MWhs, which was a 27% decrease from the previous year
- Finished the year with an average equivalent availability factor of 95.02%, with 182 unit start-ups
- Employees continued as leaders in the WFEC Safety Program, with no recordable accidents in 2017, increasing their accumulating 5,738 days without a lost-time accident

LCEC Generation Plant:

- Completed the year with 40,548 net MWhs of generation and a plant availability factor of 97.03%
- Personnel had a successful, accident-free year in 2017

(above)

Doug Doan, electric & instrument supervisor, installs oil flush equipment as a part of a major planned outage in 2017 at the Anadarko Plant.

(left)

Mechanic Chris Saathoff looks over the steam turbine case that was removed during the outage.

WFEC puts plans into motion for new Moore office

WFEC's Board of Trustees, along with CEO Gary Roulet, take part in a groundbreaking ceremony in December to commemorate the construction of a new office building in Moore. Those pictured include (from left) Gene Peters, King Martin, John Graham, Mike Lebeda, Jeff Willingham, Max Shoemake, Gary Roulet, Donnie Bidegain, Heath Sirmons, David Ray, Antonio Sanchez Jr., Charles Hickey, Don Ellis, George Burns, Chuck Wagner and Rusty Grissom.

A groundbreaking ceremony was hosted in December at the site of WFEC's future 42,000 square foot Moore Office facility at 3000 S. Telephone Road in Moore. Preliminary groundwork began in early December at this location, with completion expected in January 2019. The new site is located directly south of WFEC's leased suite of offices at Riverwalk Place (2900 S. Telephone Road).

WFEC first expanded its offices to Moore in July 2016, utilizing a suite at Riverwalk Place, with some 26 employees being officed in that location. The initial decision to provide offices in Moore focused on the recruiting and retention possibilities available in a metro location that could allow access to a larger pool of applicants.

The new building will eventually house some 85 employees, as WFEC continues to grow. WFEC's headquarters will remain in Anadarko, with the Moore Office serving as an additional location for employees to conduct business.

WFEC Board members (from left) Donnie Bidegain, John Graham and Chuck Wagner review plans for the new Moore Office with CEO Gary Roulet. Construction is set to be completed in the first quarter of 2019.

Overview of Anadarko Headquarters (below)

Designed for RESPONSE

Crews battle many elements to repair damage

The ever-changing Oklahoma weather played its role in 2017, impacting WFEC with an ice storm in January, followed by a strong thunderstorm/high wind combination in April and tornadoes and strong storms in May. These storms caused significant damage in a combination of 13 counties within WFEC's service area with a total of 206 structures requiring replacement or repair.

January ***61 structures and 86 poles***

A severe ice storm in northwestern Oklahoma, with above-average winds, damaged the electric transmission system in Woods, Woodward, Dewey, Ellis, Harper and Beaver counties.

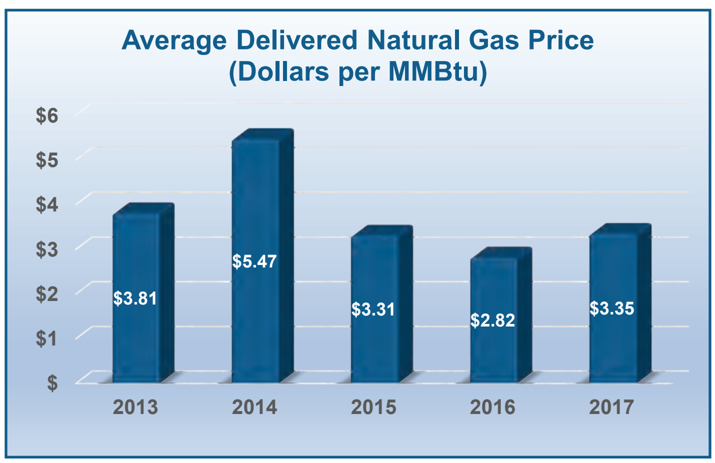
April ***63 structures and 74 poles***

Severe storms, including tornadoes, straight-line winds and flooding caused extensive damage to the transmission system. The storm affected four counties, including Caddo, Canadian, Washita and Kiowa.

May ***82 structures and 118 poles***

Severe storms struck again in mid-May, consisting of tornadoes, high winds and flooding. The storm caused outages across four counties, including Alfalfa, Beckham, Washita and Cotton.

WFEC crews repair damage from widespread storms that occurred in mid-May. The top photo was taken on the Hulen Tap Line, while the bottom photo shows crews removing debris on the Morewood SW to Elk City PSO line. Three storms caused significant damage in a combination of 13 counties within WFEC's service area with a total of 206 structures requiring replacement or repair.



Delivered natural gas prices are one of the primary determinants of the total average rate to members. The last three-year average price has been a stabilizing factor for wholesale rates.

Designed to GOVERN

Charles Hickey
Northfork Electric Cooperative

President
Trustee since: July 2005

Mike Lebeda
Kay Electric Cooperative

Vice President
Trustee since: April 2001

King Martin
Red River Valley Rural Electric Association

Secretary-Treasurer
Trustee since: Sept. 2011

Donnie Bidegain
Farmers' Electric Cooperative (N.M.)

Asst. Secretary-Treasurer
Trustee since: April 2013

Greg Goetz
Alfalfa Electric Cooperative

Trustee since: Oct. 2016

Gary Crain
Canadian Valley Electric Cooperative

Trustee since: April 2005

Charles G. Wagner
Central Valley Electric Cooperative (N.M.)

Trustee since: Oct. 2010

George Burns
Choctaw Electric Cooperative

Trustee since: Oct. 2016

Gene Peters
Cimarron Electric Cooperative

Trustee since: Aug. 2012

Clint Pack
CKenergy Electric Cooperative

Trustee since: Jan. 2016

Charles Spencer
Cotton Electric Cooperative

Trustee since: Jan. 2011

Max Shoemake
East Central Oklahoma Electric Cooperative

Trustee since: April 2015

WFEC Board of Trustees

Jean Pence
Harmon Electric Association

Trustee since: April 2015

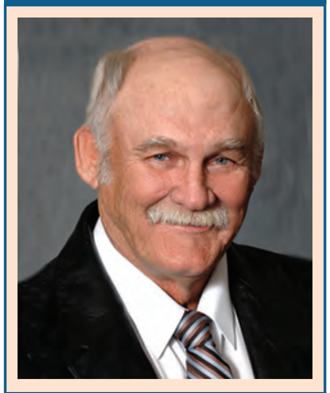
David Ray
Kiamichi Electric Cooperative

Trustee since: April 2007

John Graham
Lea County Electric Cooperative (N.M.)

Trustee since: April 2016

Ray O. Smith
Northwestern Electric Cooperative



Trustee since: April 1991

Rusty Grissom
Oklahoma Electric Cooperative

Trustee since: April 2005

Antonio Sanchez Jr.
Roosevelt Co. Electric Cooperative (N.M.)

Trustee since: Oct. 2017

Gary Jones
Rural Electric Cooperative

Trustee since: Dec. 2002

Jeff Willingham
Southeastern Electric Cooperative

Trustee since: April 2015

Don Ellis
Southwest Rural Electric Association

Trustee since: March 2014

"I am so very blessed to be connected at the heart to the 22 members who make up WFEC's Board of Trustees. The cooperative mission is alive and well. Every trustee is concerned for the needs and desires of each other, as we strive for the solidarity and success of each cooperative, as well as WFEC."

-- Board President Charles Hickey

WFEC Senior Management

A qualifed senior management level staff, with combined experience of more than 200 years of service with WFEC, oversees the daily operations of the G&T cooperative.

Each vice president has particular areas of expertise within the electric utility industry, providing valuable experience for WFEC overall and for its member distribution cooperatives.

Gary Roulet

Chief Executive Officer
(since 2003)

Began career with WFEC in 1974.

Ron Cunningham

Vice President, Power Delivery

Began career with WFEC in 1974.

Jane Lafferty

Vice President & Chief Financial Officer

Began career with WFEC in 1984.

Brian Hobbs

Vice President, Legal & Corporate Services

Began career with WFEC in 1978.

Gary Gilleland

Vice President, Generation

Began career with WFEC in 2007.

Mark Faulkenberry

Vice President, Marketing & Member Relations

Began career with WFEC in 2000.

David Sonntag

Vice President, Special Projects

Began career with WFEC in 2000.

KPMG LLP
210 Park Avenue, Suite 2650
Oklahoma City, OK 73102-5683

Independent Auditors' Report

The Board of Trustees
Western Farmers Electric Cooperative:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Western Farmers Electric Cooperative (WFEC) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial sta tements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of WFEC and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Oklahoma City, Oklahoma
March 12, 2018

WESTERN FARMERS ELECTRIC COOPERATIVE

Consolidated Balance Sheets

December 31, 2017 and 2016

(In thousands)

Assets		**2017**	**2016**
Electric utility plant, at cost:			
In-service	$	1,732,899	1,663,412
Construction work-in-progress		45,419	39,274
Total electric utility plant		1,778,318	1,702,686
Less accumulated depreciation and amortization		715,450	685,494
Net electric utility plant		1,062,868	1,017,192
Investments in associated organizations and other investments, at cost		17,674	16,693
Current assets:			
Cash and cash equivalents		11,173	9,288
Restricted cash		54,706	41,308
Accounts receivable from energy sales		52,231	52,418
Other accounts receivable		9,641	6,895
Inventories, at average cost:			
Coal, natural gas, and oil		11,826	24,182
Material and supplies		54,630	58,134
Other		2,129	1,771
Total current assets		196,336	193,996
Noncurrent restricted cash		30,799	39,583
Deferred debits		77,210	83,278
Total assets	$	1,384,887	1,350,742
Members' Equity and Liabilities			
Capitalization:			
Patronage capital	$	295,848	288,637
Contributed capital		55,643	53,063
Other capital		12,781	12,781
Long-term debt		813,059	826,511
Total capitalization		1,177,331	1,180,992
Current liabilities:			
Current portion of long-term debt		49,239	41,670
Accounts payable and accrued liabilities		82,921	76,277
Total current liabilities		132,160	117,947
Other liabilities		75,396	51,803
Commitments and contingencies (note 3, 13, and 14)		—	—
Total members' equity and liabilities	$	1,384,887	1,350,742

See accompanying notes to consolidated financial statements.

WESTERN FARMERS ELECTRIC COOPERATIVE

Consolidated Statements of Operations

Years ended December 31, 2017 and 2016

(In thousands)

		2017	2016
Operating revenues:			
Power sales to members, cities, and other	$	599,081	599,851
Other power sales and operating revenues		87,499	55,245
Total operating revenues		686,580	655,096
Operating expenses:			
Operations:			
Production		133,796	132,028
Purchased and interchanged power		347,691	301,248
Transmission		68,918	78,716
Distribution		6,342	6,216
General and administrative		14,219	13,745
Maintenance		21,047	25,536
Depreciation and amortization		49,708	41,672
Total operating expenses		641,721	599,161
Operating margin before interest		44,859	55,935
Interest expense, less amounts capitalized during construction of approximately $684 and $1,163 in 2017 and 2016, respectively		(39,596)	(37,612)
Interest income		6,174	3,099
Operating margin		11,437	21,422
Other nonoperating (loss), net		(1,570)	(545)
Patronage capital assigned by associated organizations		3,645	3,147
Net margin	$	13,512	24,024

See accompanying notes to consolidated financial statements.

WESTERN FARMERS ELECTRIC COOPERATIVE

Consolidated Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

(In thousands)

		2017	2016
Net margin	$	13,512	24,024
Other comprehensive income, net of tax:			
Pension and other postretirement benefit plans:			
Net actuarial gain (loss)		(57)	299
Less amortization of prior service cost included in net periodic pension cost		(57)	(77)
Pension and other postretirement benefit plans		(114)	222
Other comprehensive income (loss)		(114)	222
Total comprehensive income	$	13,398	24,246

See accompanying notes to consolidated financial statements.

WESTERN FARMERS ELECTRIC COOPERATIVE

Consolidated Statements of Changes in Members' Equity

Years ended December 31, 2017 and 2016

(In thousands)

		Memberships	Patronage capital	Contributed capital	Other capital	Accumulated other comprehensive income (loss)	Total
Balance, December 31, 2015	$	3	268,995	49,821	12,781	771	332,371
Net margin		—	24,024	—	—	—	24,024
Patronage capital retired		—	(5,378)	—	—	—	(5,378)
Contributed capital		—	—	3,242	—	—	3,242
Net other comprehensive income		—	—	—	—	222	222
Balance, December 31, 2016		3	287,641	53,063	12,781	993	354,481
Net margin		—	13,512	—	—	—	13,512
Patronage capital retired		—	(6,187)	—	—	—	(6,187)
Contributed capital		—	—	2,580	—	—	2,580
Net other comprehensive loss		—	—	—	—	(114)	(114)
Balance, December 31, 2017	$	3	294,966	55,643	12,781	879	364,272

See accompanying notes to consolidated financial statements.

WESTERN FARMERS ELECTRIC COOPERATIVE

Consolidated Statements of Cash Flows

Years ended December 31, 2017 and 2016

(In thousands)

		2017	2016
Cash flows from operating activities:			
Net margin	$	13,512	24,024
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation		46,673	38,637
Other depreciation and amortization included in operating expenses		4,061	3,680
Amortization of regulatory asset expense		3,035	3,035
Accretion of asset retirement obligation		580	551
Changes in assets and liabilities:			
Restricted cash		(4,614)	(31,589)
Accounts receivable from energy sales		187	(5,728)
Other accounts receivable		(2,746)	(872)
Coal, natural gas, and oil inventory		12,356	993
Materials and supplies inventory		3,504	169
Other current assets		(359)	124
Deferred debits and other (Includes SPP attachment Z2 credits)		262	421
Accounts payable and accrued liabilities		3,460	(3,646)
Other assets and liabilities (Includes SPP attachment Z2 credits)		(6,891)	35,259
Net cash provided by operating activities		73,020	65,058
Cash flows from investing activity:			
Net extension and replacement of electric utility plant		(61,645)	(64,907)
Net cash used in investing activity		(61,645)	(64,907)
Cash flows from financing activities:			
Advances of long-term debt		380,878	521,057
Payments on long-term debt		(386,761)	(516,219)
Contributed capital		2,580	3,242
Patronage capital retired		(6,187)	(5,378)
Net cash provided by (used in) financing activities		(9,490)	2,702
Net increase in cash and cash equivalents		1,885	2,853
Cash and cash equivalents, beginning of year		9,288	6,435
Cash and cash equivalents, end of year	$	11,173	9,288
Supplemental schedule of cash flow information:			
Cash paid during the year for interest	$	38,613	31,865
Noncash investing and financing activities:			
Electric utility plant acquired through capital lease		31,722	—

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

Western Farmers Electric Cooperative (WFEC) is a generation and transmission cooperative headquartered in Anadarko, Oklahoma. WFEC owns and operates six generating plants, fueled by coal and gas, located in Anadarko, Mooreland and Hugo, Oklahoma, and Lovington, New Mexico. WFEC also owns and maintains approximately 3,700 miles of transmission line as well as substations and switch stations primarily located in Oklahoma. WFEC has a combined capacity of approximately 2,500 megawatts (MW), including hydropower allocation and other contract power purchases. Member-owners consist of 21 distribution cooperatives, 17 in Oklahoma and four in New Mexico, and a United States Air Force base. Substantially all revenue is related to Oklahoma and New Mexico operations. See note 13 for further information related to the addition of and sales to the New Mexico cooperatives.

(b) Basis of Presentation

WFEC maintains its accounting records in accordance with the Uniform System of Accounts of the United States Department of Agriculture Rural Development Utilities Programs (RDUP), formerly known as the Rural Utilities Service, which conforms with U.S. generally accepted accounting principles in all material respects. These consolidated financial statements reflect the transactions of WFEC and its wholly owned subsidiaries, WFEC Railroad Company and WFEC EnergyCo, LLC (EnergyCo). All significant intercompany balances and transactions have been eliminated upon consolidation. The more significant accounting policies of WFEC are described below.

(c) Use of Estimates

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

(d) Electric Utility Plant

Electric utility plant is stated at original cost. The capitalized cost of additions to electric utility plant includes the cost of material, direct labor, contract services, and various other indirect charges, such as engineering, supervision and overhead costs, and interest on funds used during construction. Retirements or other dispositions of electric utility plant are based on an average unit cost that is deducted from plant and, together with removal costs less salvage, is charged to accumulated depreciation. The cost of repairs and minor renewals is charged to maintenance expense in the period incurred.

(Continued)

Provision for depreciation of electric utility plant is computed on the straight-line method at rates based on estimated service lives and salvage values of the class of property. These rates are applied on a composite class basis. Annual depreciation rates used in 2017 and 2016 are as follows:

Production plant	1.01–17.04%
Transmission plant	2.75–10.00%
Distribution plant	2.88–10.00%
General plant	3.00–33.33%

Depreciation and amortization for the year ended December 31, 2017 was $53,769,000, of which $46,673,000 was charged to depreciation expense, $2,270,000 was included in fuel and other operating expenses, $1,791,000 was included in employee pension and benefits, and $3,035,000 was charged to amortization of regulatory assets. Depreciation and amortization for the year ended December 31, 2016 was $45,352,000, of which $38,637,000 was charged to depreciation expense, $1,889,000 was included in fuel and other operating expenses, $1,791,000 was included in employee pension and benefits, and $3,035,000 was charged to amortization of regulatory assets.

WFEC periodically reviews the carrying values of its utility plant assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or group of assets may not be recoverable through the future net cash flows expected to be generated by the asset or group of assets. If such assets are considered impaired, the impairment is recognized by the extent that carrying value exceeds fair value. There were no impairment charges for 2017 and 2016.

(e) Capitalization of Interest

Interest costs are capitalized as part of the cost of various capital assets under construction. WFEC uses the weighted average rate of interest associated with long-term borrowings. Interest capitalized during 2017 and 2016 totaled $684,000 and $1,163,000, respectively.

(f) Restricted Cash

Restricted cash consists of the following:

- WFEC has a Contingent Cash Reserve (CCR) that is restricted by WFEC Board Policy to be utilized based upon certain significant events or other approved uses as determined by the Board. The CCR had a balance of $48,272,000 and $45,932,000 as of December 31, 2017 and 2016, respectively.
- WFEC has a Cushion of Credit (Unapplied Advance Payment) account with the RDUP. As an RDUP borrower, WFEC may participate in the RDUP Cushion of Credit Program, which allows voluntary prepayment of debt. These advance payments are held on behalf of WFEC and earn interest at 5% per annum. The prepaid account balance and earned interest may only be used for debt service on loans made or guaranteed under the Rural Electrification Act. As of December 31, 2017 and 2016, the Cushion of Credit account had a balance of $83,570,000, of which $48,272,000 represents CCR funds and $80,891,000, of which $45,932,000 represents CCR funds, respectively. The current portion of restricted cash is what will be available to satisfy the debt service in the next fiscal year.

(Continued)

- At December 31, 2017, a portion of the CCR funds satisfied RDUP's requirement to segregate cash in an amount equal to the balance of WFEC's revenue deferral plan, which as of December 31, 2017 and 2016 was approximately $29,070,000 and $33,459,000, respectively (see note 5).

(g) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include unrestricted cash on hand and investments purchased with original maturities of three months or less.

(h) Investments in Associated Organizations

Investments in associated organizations are stated at cost plus WFEC's share of patronage capital credits allocated, reduced by distributions received (see note 4).

(i) Inventories

Inventories of coal, natural gas, oil, and materials and supplies of WFEC are valued at average cost. These inventories are consumed by WFEC's operations or utilized as additions to electric utility plant and are not held for resale.

(j) Emission Allowances and Renewable Energy Credits

As a result of the operation of its generating resources and renewable energy purchase agreements, WFEC generates or is allocated SO2 (sulfur dioxide) and NOx (nitrogen oxide) allowances and renewable energy credits (RECs) under various environmental regulations. The SO2 allowances and RECs have no cost basis and therefore do not result in an expense when used nor are they recorded on the balance sheet. NOx allowances are also purchased and the cost is assigned to inventory. As NOx allowances are used or no longer have value, inventory is expensed on an average unit cost basis. Proceeds from the sales of allowances and RECs in excess of average unit cost and fees are recorded as a gain.

(k) Electric Rates

The Board of Trustees of WFEC has full authority to establish the electric rates charged to members, subject to approval by RDUP.

WFEC bills its members fuel costs as a component of electric rates. The fuel billing rate is designed to accumulate and maintain an over recovered fuel account balance. An over recovery of approximately $13,240,000 and $12,333,000 at December 31, 2017 and 2016, respectively, was recorded in accounts payable and accrued liabilities.

(l) Regulatory Assets and Liabilities

WFEC defers certain expenses that will be recovered through WFEC's future rates (see note 5) in accordance with accounting principles generally accepted in the United States of America applicable to rate-regulated enterprises. Regulatory assets are charged as an expense, if and when future recovery in rates of that asset is no longer probable. WFEC also defers certain revenue and recognizes unearned revenue over future periods for rate making purposes.

(Continued)

(m) Revenues

Revenues from the sale of electricity are recorded based on energy provided, including actual cost of fuel, to customers and on contracts and scheduled power usages, as appropriate.

(n) Derivative Instruments and Hedging Activities

WFEC's activities expose it to a variety of market risks, including interest rates and commodity prices. Management has established risk management policies and strategies to reduce the potentially adverse effects that the volatility of the markets may have on its operating results. These policies and strategies include the use of derivative instruments for hedging purposes. If hedge treatment is obtained, unrealized gains or losses resulting from these instruments are deferred as a component of accumulated other comprehensive income (loss) until the corresponding item being hedged is settled, at which time the gain or loss is recognized (see note 12).

(o) Related Parties

The members of WFEC purchase power from WFEC. The terms of transactions are based upon formal long-term contracts approved by WFEC's Board of Trustees and are settled monthly, generally requiring the members to purchase 100% of the members' purchased power requirements from WFEC. The contracts allow the Board of Trustees to establish base energy rates that allow recovery of cost of utility plant, fuel, and other operating costs incurred by WFEC. The only exception relates to four New Mexico members with Transition Agreements providing that during the transition period, WFEC shall maintain a separate cost of service based rate for the New Mexico members. Immediate and short-term power requirements for these four members are provided from a combination of existing contracts with Southwestern Public Service Company (SPS), at prescribed contract quantities and periods, and WFEC, with WFEC's obligation to provide power and energy increasing as the quantities of power and energy from the SPS contracts decrease over time. WFEC's obligation increased from 91 MW to the New Mexico members in 2016 to 172 MW on June 1, 2017. All New Mexico member third-party supplier contracts and generation capacity were assigned to WFEC (see note 13). No collateral is pledged to WFEC from its members to collateralize the outstanding accounts receivable.

At December 31, 2017, WFEC has Wholesale Power Contracts (WPC) with its 21 distribution cooperative members through the year 2065. On January 1, 2016, two members consolidated to form a new entity. WFEC's power sales to members for 2017 and 2016 was approximately 90% and 92% of total sales, respectively.

(p) Concentration of Credit Risk

Concentration of credit risk exists with respect to trade accounts receivable of which approximately 98% and 96% of accounts receivable from energy sales at December 31, 2017 and 2016, respectively, is from power sales to WFEC's members. The credit risk for accounts receivable from nonmember sales is managed through monitoring procedures.

(q) Regional Transmission Organization Accounting

WFEC is a participant in the Southwest Power Pool (SPP) Regional Transmission Organization (RTO), which serves a multi-state area including generally all of the service territories of WFEC's members. As a federally regulated RTO, the SPP must act independently and impartially in managing the regional transmission system and the wholesale electricity market while ensuring the reliability of the centrally

(Continued)

dispatched grid. WFEC records RTO transactions on an hour-to-hour basis. Transactions within each individual hour are netted to a single purchase or sale based on actual load and net megawatt hour generation.

(r) Comprehensive Income

Comprehensive income consists of net margin, changes in the fair value of derivatives that are designated as hedges and changes in the net actuarial gains (losses) and amortization of prior service costs on the defined benefit retirement plan.

(s) Fair Value Measurements

WFEC utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. WFEC determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(t) Recently Adopted Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall*. The amendments in this update address certain aspects of the recognition, measurement, presentation, and disclosure of financial instruments. The amendments are effective for fiscal years beginning December 15, 2018 and for interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted for nonpublic entities only for the amendment that eliminates the requirement to disclose fair value of financial instruments measured at amortized cost. WFEC elected early adoption of this amendment and therefore has not disclosed the fair value of debt in the notes to the accompanying financial statements. WFEC is currently evaluating the impact of the remaining amendments in this accounting update.

(u) Recently Issued Accounting Pronouncements

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU provides guidance concerning the recognition and measurement of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. The effective date for ASU 2014-09 was delayed through the issuance of ASU 2015-14 to annual and interim periods beginning in 2019, with early adoption permitted in 2018. WFEC is currently evaluating the impact on its financials.

(Continued)

The FASB issued ASU 2016-02, *Leases (Topic 842)*. Its objective is to increase transparency and comparability among organizations. This ASU provides guidance requiring lessees to recognize most leases on their balance sheet. Lessor accounting does not significantly change, except for some changes made to align with new revenue recognition requirements. This ASU is effective for WFEC in 2020. Early adoption is permitted. WFEC is continuing to evaluate the impact this ASU will have on its consolidated financial statements and related disclosures and does not plan on early adopting.

The FASB issued ASU 2018-01, *Leases* (Topic 842). It provides practical expedients when implementing ASC 842, *Leases*, which would allow entities to continue their current accounting treatment for existing land easements. Upon adoption of ASC 842, only new land easements entered into after that date would be evaluated under ASC 842. This ASC is effective for WFEC in 2020. Early adoption is permitted. WFEC is continuing to evaluate the impact this ASU will have on its consolidated financial statements and related disclosures and does not plan on early adopting.

The FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230). The amendment requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASC is effective for WFEC in 2019. Early adoption is permitted. WFEC is continuing to evaluate the impact this ASU will have on its consolidated financial statements and related disclosures and does not plan on early adopting.

(2) Electric Utility Plant

Major classes of electric utility plant as of December 31 are as follows:

		2017	2016
		(In thousands)	
Production plant	$	967,166	924,056
Transmission plant		440,522	434,325
Distribution plant		196,662	188,684
General plant		97,464	93,180
Unclassified plant		31,085	23,167
Electric utility plant-in-service		1,732,899	1,663,412
Construction work-in-progress		45,419	39,274
Total electric utility plant	$	1,778,318	1,702,686

(3) Leases

In 2017, WFEC entered into a capital lease as a lessee for multiple solar generation facilities. The lease agreement expires in 2026, at which time WFEC has the option to purchase the solar generation sites. The gross amount of the lease was $32,604,000 at December 31, 2017, with accumulated amortization of $882,000. The principal and interest payments were $1,487,000 for 2017, of which $882,000 is for amortization of the right-of-use asset and $605,000 for interest. Lease payments are being treated as a

(Continued)

production expense and the timing of the expense is evenly recognized over the lease term to conform with rate treatment under ASC 980-842-45, *Regulated Operations – Leases Other Presentation Matters*.

The schedule of future minimum lease payments for WFEC's capital lease as of December 31, 2017, is as follows (in thousands):

2018	$	3,166
2019		3,166
2020		3,166
2021		3,166
2022		3,166
Thereafter		14,341
Total minimum lease payments		30,171
Amounts representing interest		(8,211)
Present value of minimum lease payments		21,960
Current maturities		(1,932)
Long-term capital lease obligations		20,028
Bargain Purchase Option		9,764
Long-term capital lease obligations net	$	29,792

The current and long-term portions of the capital lease obligations are included in accounts payable and accrued liabilities and other liabilities, respectively, in the consolidated balance sheets.

(4) Investments in Associated Organizations and Other Investments

		2017	2016
		(In thousands)	
National Rural Utilities Cooperative Finance:			
Corporation (CFC):			
3% capital term certificates	$	300	300
5% capital term certificates		6,130	6,130
Patronage capital certificates		1,527	1,437
CoBank Class A stock		8,454	7,580
ACES		1,220	1,203
Other		43	43
	$	17,674	16,693

WFEC purchased capital term certificates and stock as required by institutions under borrowing arrangements. Fair value of the certificates and stock is not readily determinable.

(Continued)

In 2002, WFEC joined ACES as a member. As of December 31, 2017, WFEC owned 4.76% of ACES equity. The investment in the partnership is accounted for using the equity method of accounting.

(5) Regulatory Assets, Regulatory Liabilities, Other Assets, and Other Liabilities

WFEC is subject to the provisions of ASC 980, *Regulated Operations*. Regulatory assets represent probable future revenue to WFEC associated with certain costs which will be recovered from customers through the ratemaking process. Deferred debits and credits at December 31 contained the following:

	2017	2016
	(In thousands)	
Regulatory assets:		
Unamortized cost associated with lease/leaseback	$ 26,688	29,723
Other assets:		
Unamortized RS Prepayment (see note 10)	8,956	10,748
Receivable from third party	13,813	13,611
Preliminary survey and investigation charges	163	662
Unamortized debt expense	98	229
Premiums on debt refinancing	22,098	23,940
Receivable for SPP Attachment Z2 Credits	5,394	4,365
	$ 77,210	83,278

	2017	2016
	(In thousands)	
Regulatory liabilities:		
Deferred revenue	$ 29,070	33,459
Other liabilities:		
Unearned revenue	3,602	6,014
	$ 32,672	39,473

As of December 31, 2017, WFEC's regulatory assets are being reflected in rates charged to customers over 9 years.

The regulatory and other assets are reflected in deferred debits and the regulatory and other liabilities are in other liabilities in the accompanying consolidated balance sheets.

In 2013, a long-term lease-leaseback transaction reflected as a financing for financial reporting purposes was terminated. WFEC received Board and RDUP authority to defer and amortize as a regulatory asset the net impact of the termination on a straight line basis through 2026, which approximates $3,035,000 of annual amortization. WFEC's electric rates are designed to recover this cost.

(Continued)

In February 2014, WFEC sold certain natural gas pipeline assets to a third-party purchaser. The purchaser agreed to pay the balance due in the future. The balance was $13,813,000 and $13,611,000 as of December 31, 2017 and 2016, respectively. To secure WFEC's interest with respect to receipt of the balance due, the purchaser provided WFEC an irrevocable standing Letter of Credit in favor of WFEC. Upon a default by the purchaser to pay, WFEC can draw under the Letter of Credit. Therefore, no reserve was established for the receivable. Associated interest related to this transaction is recognized in interest income on the accompanying consolidated balance sheets.

Premiums on early extinguishment of debt arising from refinancing transactions are being amortized over approximately 13 years, the remaining life of the replacement debt, using the straight-line method.

With Board and RDUP approval, in 2016 WFEC deferred recognition of $33,459,000 of revenue from the net credit due for Attachment Z2 of the Southwest Power Pool (SPP) Open Access Transmission Tariff (OATT) for the period of March 1, 2008 through August 31, 2016. Attachment Z2 of the OATT contains the provisions for the revenue credits which are designed to compensate entities that pay for certain assets that are subsequently used to provide transmission service to other parties. In October 2016, WFEC was informed by SPP that it was due $33,459,000 of reimbursement from SPP participants related to these transmission services provided. The revenue will be accreted into income ratably from 2017 through 2021. In 2017, SPP resettled the original period under the Attachment Z2 of the SPP OATT, which resulted in WFEC being due an additional $2,303,000. WFEC received Board and RDUP approval to defer and accrete the additional balance over the remainder of the original deferral period through 2021. In 2016, WFEC received $29,094,000 in cash of the total revenue due with the remaining $4,365,000 plus interest due in quarterly installment payments from 2017 to 2021. In 2017, as part of the resettlement, WFEC received $653,000 in cash of the total revenue with the remaining $1,650,000 plus interest due in quarterly payments through 2021. Cash equal to the balance of the deferred revenue is segregated and restricted until a like amount is subsequently accreted into revenue (see note 1 (f)).

(6) Patronage Capital

WFEC's bylaws state that patronage allocations are based on WFEC's net income as determined for federal income tax purposes. Patronage allocations are assigned to patrons' accounts as credits on a patronage basis. Using this allocation method, patronage capital of $17,723,000 was allocated for the year ended December 31, 2016. There is not a patronage allocation anticipated for 2017. For financial reporting purposes, net margins are assigned to members on a patronage basis.

WFEC's Indenture (see note 7) contains restrictions on distributions of capital. The Board of Trustees authorized a patronage capital retirement for 2017 and 2016 of $6,187,000 and $5,378,000, respectively.

(Continued)

(7) Debt

Long-term debt at December 31 consisted of the following:

		2017	2016
		(In thousands)	
First mortgage notes:			
Notes payable to Federal Financing Bank (FFB), interest from 1.07% to 10.45%, a weighted average of 3.34%, due in quarterly installments through 2049	$	524,677	502,683
Notes payable to the RDUP, interest from 4.75% to 5.00%, a weighted average of 4.76%, due in monthly and quarterly installments through 2025		5,332	5,882
Note payable to CoBank, interest at 5.71%, due in quarterly installments through January 2019		1,779	3,052
Note payable to CoBank, interest at 6.22%, due in monthly installments through November 2025		2,050	2,226
Notes payable to CoBank, interest from 5.33% to 6.37%, a weighted average of 6.36%, due in quarterly installments through April 2038		106,334	108,791
Notes payable to CFC with varying amounts, interest from 4.00% to 4.55%, a weighted average of 4.30% due in quarterly installments through June 2024		8,404	10,287
Notes payable to CoBank, interest from 4.42% to 4.76%, a weighted average of 4.52%, due in quarterly installments through October 2042		55,188	56,346
Notes payable to CoBank, interest at 8.35%, due in annual installments through January 2027, with a balloon payment due in 2027		31,266	31,743
Notes payable to CoBank, interest at 3.5%, due in quarterly installments through December 2029		106,569	113,460
Other notes:			
Notes payable to CFC, interest from 5.55% to 5.65%, a weighted average of 5.61%, due in quarterly installments through 2023		9,612	10,924
Syndicated line of credit, interest from 1.69% to 3.75% at December 31, 2016, repaid June 2017		—	10,000
Note payable to CoBank, interest at 3.70%, due in quarterly installments through July 2023		11,087	12,787
		862,298	868,181
Less current portion of long-term debt		49,239	41,670
Total long-term debt	$	813,059	826,511

(Continued)

Annual payments of long-term debt for subsequent years are as follows (in thousands):

2018	$ 49,239
2019	42,587
2020	42,289
2021	41,421
2022	43,330
Thereafter	643,432
	$ 862,298

WFEC executed an Indenture, dated as of April 8, 2011, between WFEC, as grantor, and U.S. Bank National Association, as trustee (the Indenture). Effective that date, all of the first mortgage notes listed above are secured equally and ratably under the Indenture by a first priority lien on substantially all of the assets of WFEC, subject to certain exceptions and limitations. Under the terms of the Indenture, substantially all of the after-acquired assets of WFEC become subject to the lien of the Indenture. Also, under the terms of the Indenture, the RDUP Loan Contract and other loan agreements, WFEC must maintain certain financial covenants. Management believes WFEC was in compliance with these financial covenants at December 31, 2017.

WFEC has a $100,000,000 five-year committed revolving line of credit agreement with CFC for general corporate purposes through October 2021. No advances were outstanding on the CFC line of credit at December 31, 2017 and 2016. Letters of credit totaling $28,570,000 and $29,930,000 had been issued under this arrangement at December 31, 2017 and 2016, respectively.

WFEC has a $200,000,000 credit agreement with a syndication of financial institutions to provide a committed line of credit as support for general corporate purposes with a term through December 2018. The outstanding balance on this credit agreement at December 31, 2017 and 2016 was $0 and $10,000,000, respectively.

Approximately $200,000,000 and $190,000,000 of borrowing capacity was available on the syndicated line of credit at December 31, 2017 and 2016, respectively. Approximately $71,430,000 and $70,070,000 of borrowing capacity was available on the CFC lines of credit at December 31, 2017 and 2016, respectively.

WFEC had $23,253,000 and $69,224,000 of unadvanced funds available at December 31, 2017 and 2016, respectively, from FFB notes previously executed for transmission and distribution additions.

During 2017, RDUP approved a loan guarantee commitment in the amount of $382,514,000 for the purpose of financing certain WFEC projects for the 2016-2019 construction work plan period. The amount consists of $239,020,000 for transmission and distribution additions and replacements and $143,494,000 for generation system improvement projects.

(Continued)

(8) Production Expenses

WFEC's production expenses for the years ended December 31 include the following:

		2017	2016
		(In thousands)	
Fuel	$	108,461	108,355
Other production expenses		25,335	23,673
Total production expenses	$	133,796	132,028

As disclosed in note 1, under WFEC's contracts with its members, costs of fuel are recovered through rates charged to members.

(9) Income Taxes

WFEC is a nonexempt cooperative subject to federal and state income taxes and files a consolidated tax return. As a cooperative, WFEC is entitled to exclude patronage dividends from taxable income. WFEC's bylaws require it to declare patronage dividends in an aggregate amount equal to WFEC's federal taxable income from its furnishing of electric energy and other services to its member-patrons. Accordingly, such income will not be subject to income taxes.

Nonmember operations are subject to federal income taxes. Historically, WFEC's nonmember operations have generated tax losses. The primary differences between WFEC's book income and WFEC's nonmember tax losses are the result of tax depreciation and tax patronage allocations.

As of December 31, 2017 and 2016, WFEC's deferred tax asset before valuation allowance was approximately $2,983,000 and $4,395,000, respectively. Based on WFEC's historical results, management does not believe that it is more likely than not that WFEC will be able to realize the benefit of the deferred tax asset, which includes net operating loss carryforwards of approximately $15,177,000, which expire in 2017 and thereafter.

No income tax expense was provided in 2017 and 2016, due to the availability of net operating loss carryforwards to offset nonmember income for tax purposes. On December 22, 2017, the Tax Cuts and Jobs Act (the Act) was signed into legislation. The Act reduces the U.S. federal corporate income tax rate from 34% to 21%. WFEC revised its estimated effective tax rate for the nonmember operations to reflect the change in the federal statutory rate.

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The approximate net deferred tax asset and valuation allowance at December 31 were as follows:

		2017	2016
		(In thousands)	
Tax-effected gross deductible temporary differences	$	2,983	4,395
Deferred tax asset		2,983	4,395
Less valuation allowance		(2,983)	(4,395)
Net deferred tax asset	$	—	—

(10) Retirement Plans

Substantially all employees of WFEC participate in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan). The RS Plan is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multi-employer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

WFEC contributions to the RS Plan in 2017 and 2016 represented less than 5% of the total contributions made to the RS Plan by all participating employers. WFEC makes annual contributions to the RS Plan equal to the amounts accrued for pension expense, which is dependent on the employee's date of hire. These contributions to the plan were approximately $7,313,000 and $7,005,000 in 2017 and 2016, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2017 and 2016 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

At the December 2012 meeting, the Insurance and Financial Services Committee of the NRECA Board of Directors approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After

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making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1 of the year in which the amount is paid to the RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period. On April 17, 2013, the Board approved a prepayment of $17,913,000 to the NRECA RS Plan. WFEC is amortizing this amount over 10 years to employee pensions and benefits which, in turn, is allocated to applicable functional operations, maintenance, administrative, construction, and retirement activities. The balance of the prepayment of $8,956,000 and $10,748,000 as of December 31, 2017 and 2016, respectively, was recorded in deferred debits.

Substantially all employees of WFEC also participate in the NRECA 401(k) Pension Plan option. Under the plan, WFEC contributes amounts not to exceed 8% of the respective employee's base pay to the plan, dependent on the employee's level of participation and the employee's date of hire. Employees may contribute up to the Internal Revenue Service prescribed limit of their base pay to the plan. Contributions are immediately 100% vested. Benefits paid under the plan are limited to the sum of the employee's and WFEC's contributions and investment earnings or losses on those contributions. WFEC contributed approximately $1,806,000 and $1,573,000 to the plan in 2017 and 2016, respectively.

(11) Fair Value of Financial Instruments

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at December 31, 2017 and 2016:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2017
Liabilities:					
Commodity derivatives	$	—	(656,000)	—	(656,000)
Total liabilities	$	—	(656,000)	—	(656,000)

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2016
Assets:					
Commodity derivatives	$	—	527,000	—	527,000
Total assets	$	—	527,000	—	527,000

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(12) Derivative Instruments and Hedging Activities

WFEC periodically enters into commodity swap, collar and option contracts for a portion of its anticipated natural gas or power purchases, to manage the price risk associated with fluctuations in market prices. These contracts limit the unfavorable effect that price increases will have on natural gas or power purchases. WFEC has elected to not designate its commodity contracts as cash flow hedges; therefore, changes in the fair value of the commodity contracts are recorded as an asset or liability and as an increase or reduction to production or purchased power expense. In accordance with ASC 980-10, *Regulated Operations Overall*, gains and losses from price management activities are included in WFEC's fuel cost recovered from members as part of WFEC's rate-making policy. As such, an asset or liability, that offsets the change in the fair value of the commodity contracts recorded in production or purchased power expense, is established to record the amount of fuel costs over collected from or unbilled to members of WFEC. The fair value of the commodity swaps resulted in a liability and a related receivable from members (through future increased fuel charges) of $656,000 as of December 31, 2017. The fair value of the commodity swaps resulted in an asset and a related payable to members (through future decreased fuel charges) of $527,000 as of December 31, 2016. WFEC has entered into derivative type commodity contracts for future transactions with terms expiring through December 2018.

(13) Commitments and Contingencies

(a) Addition of and Sales to New Mexico Cooperatives

In 2010, four New Mexico distribution cooperatives (Cooperative, collectively Cooperatives) were added to the membership of WFEC. Each Cooperative executed a Wholesale Power Contract (WPC) and has one vote on the Board of Trustees through their respective representative. Together, the Cooperatives currently have approximately 400 MW of load. Their service territories are adjacent to one another in southeastern New Mexico and are located in the Southwest Power Pool (SPP) footprint, as is WFEC. The Cooperatives will continue to own and maintain their respective delivery systems and have delivery points on the utility from which they have historically purchased their power needs. Transmission service for WFEC to serve the cooperative across that utility will be provided through the SPP Open Access Transmission Tariff.

WFEC and the Cooperatives also executed a Transition Agreement (Agreement), effective in 2010 and terminating June 1, 2026. During this transition period, the Cooperatives are members of WFEC with all rights, privileges, and obligations of membership, but with a separate cost of service rate (Segregated Rate). The Segregated Rate shall generate sufficient revenue to cover the Cooperative's cost of service as well as produce sufficient revenues that when combined with all other WFEC revenues, meet WFEC Board-determined reserves. During the transition period, each Cooperative shall be responsible for (1) costs, which are directly and uniquely related to the supply and delivery of electric power and energy to that respective Cooperative, (2) its share of costs common to the Cooperatives located in New Mexico, and (3) its share of costs common to all members of WFEC. After the transition period and for the remaining term of the WPC, the Segregated Rate shall no longer be used, and the Cooperatives shall be a member with a then applicable cost of service rate or rates common with other members of WFEC (Member Rate) and consistent with the WPC.

Immediate and short-term generation requirements of the Cooperatives will continue to be provided from a combination of existing contracts with Southwestern Public Service Company (SPS) and WFEC. The SPS contracts provide that the power and energy available from SPS will reduce in four

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increments, the first two occurred in 2012 and 2017 with the remaining increments in 2022 and 2024, then the contracts terminate in the spring of 2026. WFEC provided 91 MW in 2016, increased to approximately 172 MW in 2017, and will be responsible for providing 320 MW in 2022, 370 MW in 2024, and fully responsible for all needs of the Cooperatives after the SPS contracts terminate in 2026.

On May 1, 2014, the Cooperatives' third-party supplier contracts and generation resources were assigned to WFEC. Per the Agreement, the Cooperatives shall, through May 31, 2026, continue to pay all charges and costs arising from the third-party supplied contracts and contributed generation as part of the Segregated Rate.

Each Cooperative will contribute equity to WFEC in a manner and amount such that, as of June 1, 2026, the Cooperative has contributed equity to WFEC comparable to the amount of equity contributed to WFEC by prior existing members. These equity contribution payments are determined by WFEC's projected capital resource additions or purchase power contracts, or share thereof, required to supply power and energy to the respective Cooperative, and are collected and paid to WFEC through the Segregated Rate. The contributed equity of each Cooperative is assigned to their respective patronage account.

(b) Purchase Requirements

WFEC has a long-term standby power contract with Southwestern Power Administration under which it is obligated to purchase a minimum quantity of power annually through May 2028. At the prescribed 2018 rates, the minimum requirement approximates $19,092,000. During 2017 and 2016, WFEC purchased $22,528,000 and $22,916,000, respectively.

WFEC has a long-term purchased power contract with a party through December 2025 under which it is obligated to purchase a minimum quantity of power on a monthly basis. Based on contract information and power cost adjustment information currently published, the annual obligation for 2018 is estimated at $62,320,000. During 2017 and 2016, WFEC purchased $63,163,000 and $56,168,000, respectively.

WFEC has long-term purchase power contracts with a party through May of 2026, under which it is obligated to purchase decreasing minimum monthly quantities of power at prescribed contract intervals. These contracts are load-following with no minimum energy obligation. The current projection for the minimum contract commitment is $17,876,000 for 2018. During 2017 and 2016, WFEC purchased $99,617,000 and $100,930,000, respectively.

WFEC negotiated multiyear contracts to acquire and transport coal for the Hugo Generating Station annually through December 2019. The current projection for the minimum contract commitment for coal and coal transportation is approximately $29,000,000 in 2018. WFEC's costs for both coal and transportation purchases were approximately $39,000,000 and $45,000,000 for the years ended December 31, 2017 and 2016, respectively.

WFEC has a long-term purchased power contract with a party through December 2035, under which it is obligated to purchase increasing minimum monthly quantities of power at prescribed contract intervals. The current projection for the minimum contract commitment is $22,179,000 in 2018. During 2017 and 2016, WFEC purchased $27,579,000 and $17,498,000, respectively.

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In 2014, WFEC negotiated multiyear contracts for the transportation and storage of a portion of its Anadarko and Mooreland Generating Station gas requirements through February 2044. The current projection for the minimum contract commitments for gas transportation and storage is approximately $8,088,000 in 2018. WFEC's costs for both transportation and storage purchases were approximately $8,977,000 and $7,859,000 for 2017 and 2016, respectively.

WFEC has long-term power agreements for the purchase of 735 MW of wind and solar energy from various power suppliers. WFEC does not have fixed cost obligations and pays only for the energy produced at fixed prices for the term of the agreements. The agreements have varying terms, and some have extension options. The longest contract term extends to 2053. WFEC's expense for energy purchased under these agreements was $78,500,000 and $75,167,000 in 2017 and 2016, respectively.

(c) Environmental

WFEC, as is common with other electric utilities, is subject to stringent existing environmental laws, rules, and regulations by federal, state, and local authorities with regard to air and water quality control, solid and hazardous waste disposal, hazardous material management, and toxic substance control. Management believes it is in substantial compliance with all existing laws, rules, and regulations.

The Environmental Protection Agency issued the final Coal Combustion Residue (CCR) rule effective October of 2015 and the new EPA Effluent Limitation Guidelines (ELG) became effective January 2016, however both rules may be subject to change as the EPA is reviewing them currently. In 2016, WFEC revised previous estimates and added new liabilities to the forecasted cash flows related to asset retirement obligations and, as a result, increased the obligations and corresponding assets in electric plant in service by approximately $9,678,000. WFEC evaluated current operations with the CCR and ELG rules and determined, that for 2017, no revision was needed to the prior estimates. The liabilities are estimates based on various assumptions including, but not limited to, closure and post-closure cost estimates, timing of expenditures, escalation factors and discount rates (see note 14).

(d) Legal

WFEC is involved in various other legal actions arising in the ordinary course of business. In the opinion of management, after consultation with counsel, the ultimate disposition of these matters will not have a material adverse effect on WFEC's financial position or the results of future operations.

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(14) Asset Retirement Obligation

WFEC has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities at the time that certain machinery and equipment is disposed. The liability is initially measured at its discounted fair value and subsequently adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's useful life. Activity for the asset retirement obligations, included in accounts payable and accrued liabilities in the accompanying balance sheets, for the years ended December 31 is as follows:

		2017	2016
		(In thousands)	
Beginning balance	$	11,158	1,514
Additional liabilities incurred		—	6,796
Retirement of liability		—	—
Revisions to estimates		—	2,297
Accretion expense		580	551
Ending balance	$	11,738	11,158

(15) Comprehensive Income

The accumulated balance of other comprehensive income is as follows:

		Pension and postretirement benefit plans
		(In thousands)
Balance, December 31, 2015	$	771
Net current period change		222
Balance, December 31, 2016		993
Net current period change		(114)
Balance, December 31, 2017	$	879

(16) Subsequent Events

WFEC has evaluated subsequent events from the balance sheet date through March 12, 2018, the date at which the consolidated financial statements were available to be issued.