



2018 ANNUAL REPORT



MESSAGE FROM GENERAL MANAGER KATHI CALVERT

I CANNOT BELIEVE IT IS TIME FOR ANOTHER annual meeting. It seems like we were just at our last fish fry. I hope that each one of you will be able to attend this year's meeting.

As always, our commitment is to enhance the reliability and performance of our system. With that in mind, I'd like to share a few highlights from the past year and a glimpse into our future.

We continue to focus on our vegetation management program, construction work plan and routine maintenance. Other than storms, trees are the single largest cause of outages, and vegetation growth in our area is a perpetual challenge. This past

year we removed 3,604 hazardous trees and cleared 663 miles of rights-of-way. By addressing these obstacles, we remain committed to improving the dependability of our service to our members.

Replacement of copper conductor is an ongoing project designed to reduce line loss and strengthen our service.

We have changed out over 20 miles of copper wire. Every percentage reduction in line loss saves approximately \$13 per meter on an annual basis. Over time, these actions will result in substantial savings.

The safety of members and employees is our No. 1 priority. Last year, we discovered a large number of poles that were rotting prematurely. These poles threatened the safety of our line men and members. It was a daunting task to locate and replace the potentially hazardous poles across our system, but it was well worth the effort to prevent injury or property damage.

Beyond the day-to-day work, I am excited that we will be energizing our new Weldon substation by the end of this month. This has been a multiyear project to improve reliability and place us in a better long-term economic position. It's gratifying to see a project of this size reach fruition for the benefit of our members.

As we look to the future, we understand that our members expect a more efficient and affordable energy provider. We want to be your trusted energy partner and continue to expand service options. One major change for new members is the option of underground primary line extensions. While more costly upfront, underground service reduces ongoing right-of-way maintenance costs and is more palatable to landowners who wish to avoid poles on their property. It is cost-prohibitive to replace existing overhead lines with underground service, but moving forward, underground options will be evaluated for system improvements.

We also added online service applications, improved our energy audit services and offer Nest thermostats at a discounted price. With the purchase of our Nest thermostat, members may opt in to a seasonal savings program designed to save energy costs during the summer while keeping you comfortable. In addition, we are evaluating a utility-scale solar installation project with neighboring cooperatives. Our collective approach will result in favorable pricing, which means lower power costs for you. Watch for information on our solar project in 2019.

Last but not least, I hope you have enjoyed reading about various Houston County Electric Cooperative departments in recent *Texas Co-op Power* stories that share who we are and what we do. These are the people who take care of you and your cooperative. From answering phone calls to restoring your power, the men and women at Houston County EC care about you and take pride in their work. I am thankful for each individual, our leadership team and board of directors.

We appreciate our members and will continue to strive to improve your service while maintaining affordable rates.



Construction during our Weldon substation project. The substation will be energized this month.



**MESSAGE FROM
BOARD PRESIDENT DAN COURMIER**

ON NOVEMBER 1, HOUSTON COUNTY ELECTRIC COOPERATIVE WILL HOLD ITS 79TH annual meeting at the Crockett Civic Center. With every passing year, we have fewer members who can remember the days when their home or business had no electric service. Younger generations like mine have grown up amid the convenience of electricity, and we take it for granted. We don't seem to think about it until we have an outage and the room goes dark or when we get our electric bill in the mail. Your board of directors works hard to ensure the lights not only stay on but that they do so at an affordable rate.

Our goal is to quietly provide every member with safe, reliable and affordable electric service. What distinguishes co-ops from investor-owned utilities is not having to choose between shareholder returns and reliability or affordability. It is important to remember, however, that our service area is larger and less densely populated than areas served by investor-owned utilities. The lack of density compared to urban areas results in a higher cost of service. We have the same delivery infrastructure as an IOU but deliver to fewer people over more miles. Our advantage is the cooperative business model.

Consumers, as member-owners, have a strong voice in the leadership of HCEC through the director election process, and we encourage you to vote in our elections.

Once you elect a director, you may wonder, "What is the role of the board of directors? How do they provide safe, reliable and affordable electric service?" Two of the most critical functions of the board are setting policy and hiring the right general manager. The board sets the destination, and the general manager figures out how to get there. It is the general manager's responsibility to put the right people in the right places within the organization, set a positive, productive work culture, and remove any obstacles to ensure our co-op achieves the goals set by the board.

One of the co-op's most recent projects is our Mustang Prairie-Weldon transmission line. The transmission line was a prudent investment decision made by the board that furthers our progress on the path of reliable, affordable service.

Other projects that are under consideration include a solar installation, which will provide renewable energy while reducing your power costs, and a new, much-needed office facility. These projects are important to the future of our co-op, and the viability of such endeavors are carefully considered by the board on a case-by-case basis. Our goal is to continue meeting the expectations of our membership by carefully guiding the organization and providing resources for carrying out our mission. I am proud to be able to say that we continue to focus on reliability and affordability while maintaining a financially strong organization and consistently returning patronage capital to our members.

So come join us for the annual meeting November 1st. Learn more about other projects and activities at your co-op while enjoying an evening of fried catfish and fellowship with your neighbors and fellow HCEC members.

I hope to see you there!

Houston County Electric Cooperative

P.O. Box 52, Crockett, TX 75835

GENERAL MANAGER

Kathi Calvert

BOARD OF DIRECTORS

Dan Courmier, President
Kennon Kellum, Vice President
Mitchell Huff, Secretary-Treasurer
Mary L. Pearl Adams
William Emmons
Kay Reed
Charles "Chuck" Siems
Grady Wakefield
David Whittlesey

Contact Us

**TO REPORT A POWER OUTAGE,
CALL OUR 24-HOUR HOTLINE**

1-800-970-4232 toll-free

BUSINESS HOURS

Monday-Friday, 8 a.m.-5 p.m.

CUSTOMER SERVICE

*For general information
during business hours*

(936) 544-5641 local

1-800-657-2445 toll-free

To report an outage, press 1.

To make a payment over the phone or speak with a member services representative, press 2.

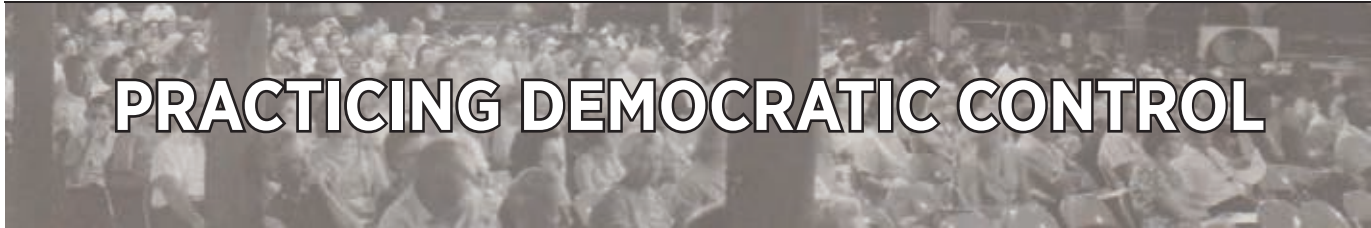
For electrical connects, transfers and disconnects or any other problem with your electrical service, press 3.

Para hablar con un representante de habla hispana, presione 4.

FIND US ON THE WEB

houstoncountyelec.com





OFFICIAL ANNUAL MEETING NOTICE

When: Thursday, November 1, 2018

What: Doors open at 4 p.m.—Business meeting at 6 p.m.

Where: Crockett Civic Center, Crockett

Houston County Electric Cooperative will conduct its annual meeting Thursday, November 1. Directors for Houston County districts 2 and 4 and the Trinity County District will be elected, and reports and updates regarding the co-op’s business will be presented to member-owners.



Vote

The following candidates have been nominated for these positions in accordance with Houston County EC bylaws:

- HOUSTON COUNTY DISTRICT 2: Mitchell Huff**
- HOUSTON COUNTY DISTRICT 4: Kennon Kellum**
- TRINITY COUNTY DISTRICT: David Whittlesey**

Attend

Houston County EC will conduct its annual meeting Thursday, November 1st, at the Crockett Civic Center.

Eat

HCEC cooks will be frying up delicious catfish with all of the trimmings. Come hungry, leave full!

Listen

The business meeting starts at 6 p.m. with reports from HCEC’s board president and general manager.

Participate

You’ll have the opportunity before, during and after the meeting to speak with HCEC staff and board members.

Win!

Great door prizes donated by generous vendors and local business owners will be awarded at the conclusion of the business meeting.





ELECTING A BOARD OF YOUR PEERS



DIRECTOR AT LARGE
DAN COURMIER
PRESIDENT



HOUSTON CO. DIS. 4
KENNON KELLUM
VICE PRESIDENT



HOUSTON CO. DIS. 2
MITCHELL HUFF
SECRETARY



MADISON CO. DIS.
MARY PEARL ADAMS
DIRECTOR



HOUSTON CO. DIS. 1
WILLIAM EMMONS
DIRECTOR



ANDERSON CO. DIS.
KAY REED
DIRECTOR



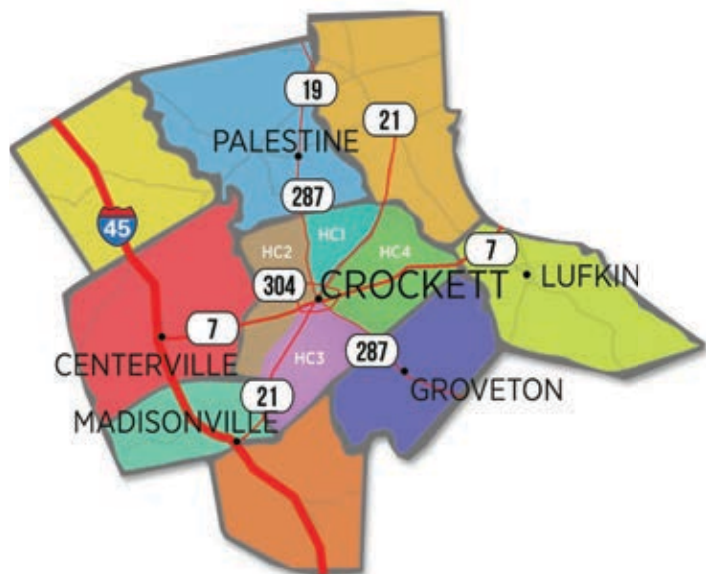
HOUSTON CO. DIS. 3
CHUCK SIEMS
DIRECTOR



LEON CO. DIS.
GRADY WAKEFIELD
DIRECTOR



TRINITY CO. DIS.
DAVID WHITTLESEY
DIRECTOR





OWNING YOUR CO-OP



BALANCE SHEET

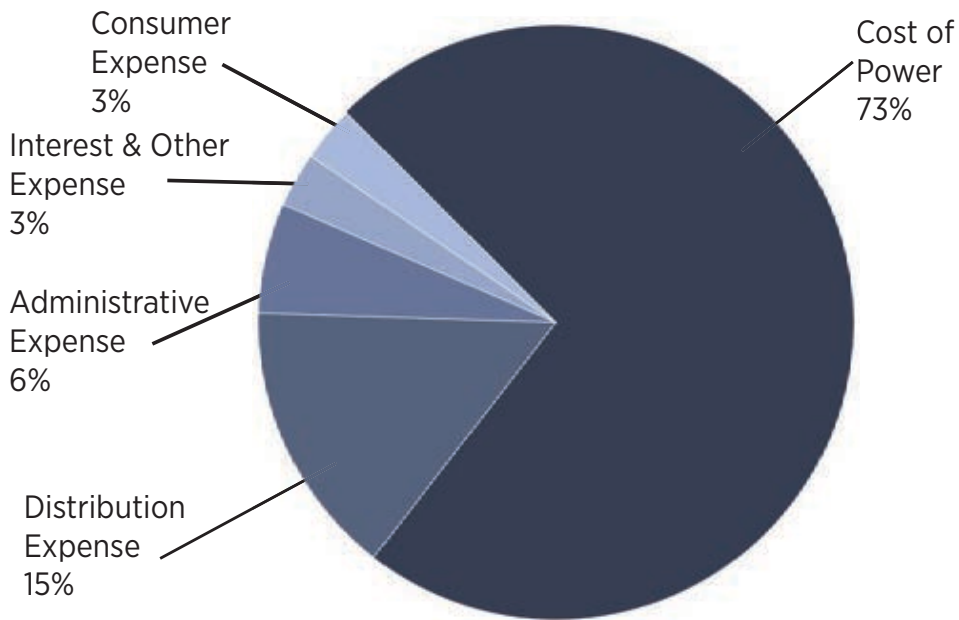
	2017	2018
Net Utility Plant	70,631,060	77,077,075
Investments in Assoc. Organizations	16,180,832	16,116,743
Current & Accrued Assets	16,130,597	15,051,192
Deferred Debits	1,167,266	142,709
Total Assets	104,109,755	109,387,719
Patronage Capital	72,680,189	74,127,544
Memberships & Other Margins	135,191	133,916
Long Term Debt	17,965,384	21,885,570
Current & Accrued Liabilities	13,251,033	13,172,830
Deferred Credits	77,958	67,859
Total Liabilities	104,109,755	109,387,719

STATEMENT OF OPERATIONS

Sale of Electric Power	42,339,009	42,934,565
Total Revenue	42,339,009	42,934,565
Purchased Power	28,251,515	27,382,195
Operations & Maintenance	5,915,774	5,504,055
Consumer & Customer Service	989,262	1,082,202
Administration & General	1,960,351	2,236,956
Depreciation	3,879,484	4,640,222
Taxes	72,367	72,449
Interest	970,980	947,835
Other Deductions	29,675	107,959
Total Expense	42,069,408	41,973,873
Operating Margins	269,601	960,692
Non-Operating Revenue - Interest	474,175	449,326
Non-Operating Margins - Other	70,556	164,404
Other Capital Credits	1,469,100	773,083
Total Margins	2,283,432	2,347,505



Houston County Electric Operating Expenses



Excludes Depreciation and Amortization Expense





OWNING YOUR CO-OP

IMPROVING RELIABILITY:

59
miles of line built

663
miles of right-of-way cut

20
miles of conductor upgrades

3,604
dead trees removed

YOUR CO-OP:

21,654
active meters

15,495
members

5,144
total miles of line

2,732
Facebook followers

FOCUSING ON MEMBER SERVICE:

1,049
new members

65,226
payments received

63,193
calls handled

2,433
mobile app downloads

WORKING SAFE:



234,056 hours of no lost time

845,257 miles driven

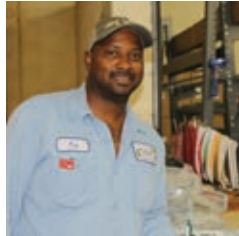
Safety meetings are held weekly to ensure that every employee remains focused on safety.



RECOGNIZING HCEC PERSONNEL



KYLE CAMPBELL
10 Years



TIM JOHNSON
20 Years



DAVID HILDEBRAND
20 Years



JACK VICKERS
55 Years

683 years
Service by
all HCEC
employees

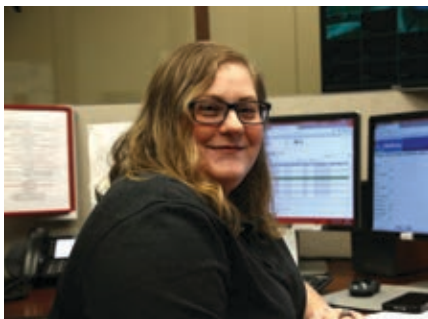
MILLENNIALS
44%

**GENERATIONS AT
HCEC**

**SILENT
GEN**
1%

GEN X
41%

**BABY
BOOMERS**
14%



THANK YOU VETERANS!

HCEC salutes our employees, members and friends who have served in the United States Military.

- David Hildebrand
- Jason LeBlanc
- Scott Long
- Ruth Millhouse
- Steve Millhouse
- Jack Vickers



SUPPORTING OUR YOUTH

2018 YOUTH TOUR WINNERS

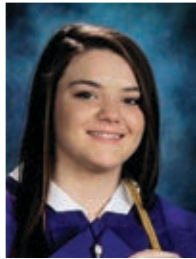


BEAU BAILEY
SLOCUM
HIGH SCHOOL



SARAH-BROOKE RIVENBARK
CENTERVILLE
JR-SR HIGH SCHOOL

2018 SCHOLARSHIP WINNERS



SARAH ALFRED
KENNARD
HIGH SCHOOL



RACHEL CUTLER
LATEXO
HIGH SCHOOL



SHAUN GRIFFIN
KENNARD
HIGH SCHOOL



PARKER HAY
TRINITY
HIGH SCHOOL



TREVOR HUGHES
CROCKETT
HIGH SCHOOL



SADIE LEBLANC
CENTRAL
HIGH SCHOOL



DESTINI MANCILLA
KENNARD
HIGH SCHOOL



CAITLIN RAY
GROVETON
HIGH SCHOOL



CALLIE RICHBURG
GRAPELAND
HIGH SCHOOL



JAMES RODELL
BUFFALO
HIGH SCHOOL

2018 EAST TEXAS RURAL ELECTRIC YOUTH SEMINAR DELEGATES



BRENNA ASHLEY
LATEXO HS



CHLOE COOK
LATEXO HS



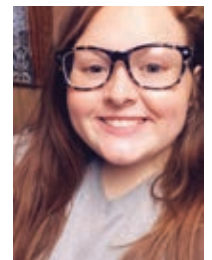
MIKEY CURRIE
KENNARD HS
\$1,000 Scholarship winner
2019 Youth Director



AARON DAVIS
GRAPELAND HS
\$750 Scholarship Winner



MADELYN JAMES
LOVELADY HS



JAIDYN MCMAYHON
HOME SCHOOL



SETH MURRAY
LOVELADY HS



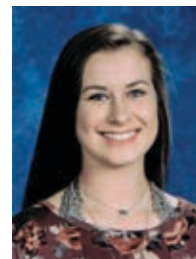
CADE NOBLE
LATEXO HS



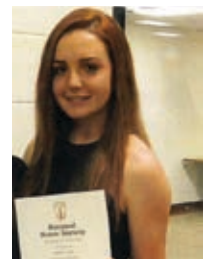
MIRANDA PEACOCK
KENNARD HS



COLBY TULLOS
LOVELADY HS



JAMIE WELCH
LOVELADY HS



HANNAH YORK
LOVELADY HS





HOW WE'RE SPECIAL

SINCE THE 1930S, COOPERATIVES OF ALL KINDS HAVE TAKEN every chance they can to appreciate their many members and educate the public about how co-ops work.

We'd like to highlight the tenets that guide all co-ops: the Seven Cooperative Principles. These principles lead electric cooperatives such as Houston County Electric Cooperative to do business in a better way every single day.

Principles No. 1: Voluntary and Open Membership; and No. 2: Democratic Member Control. Co-ops are open to anyone who is able to use their services, which means that any person who moves into Houston County EC's service territory is eligible for membership. Every fall, Houston County EC convenes for

based on how much electricity they purchased from the co-op for a given year.

Allocating and retiring excess revenue to members distinguishes cooperatives. We're proud to support our communities by putting money back into the local economy—and into the wallets of those we serve.

No. 4: Autonomy and Independence. Electric cooperatives form a vast network across America. They're in 47 states, and cooperative-owned electric lines cover 42 percent of the nation's landmass. Yet each cooperative is an autonomous, independent business. We work with our co-op neighbors, but our members are the sole governors of HCEC. Our member-elected board of directors approves policies and resolutions that guide the way we do business.

No. 5: Education, Training and Information. Cooperatives have a charge to keep their members informed—not just about cooperative business but also about topics such as energy efficiency, safety and community contributions.

Houston County EC keeps its members up to date on relevant news every month through *Texas Co-op Power*, which aims to educate, inform and entertain our members.

You also can stay informed via our website and Facebook, Twitter and Instagram pages.

No. 6: Cooperation Among Cooperatives. Although co-ops are independent entities, they still rely on one another to share resources, information and, in some cases, manpower.

Electric co-ops have long relied on one another to get power restored more

quickly after severe weather emergencies using mutual aid agreements, which work just as it sounds: When Houston County EC needs extra hands after a disaster, such as a wildfire or tornado, co-ops from surrounding towns and states help out. When neighboring co-ops need help, Houston County EC sends crews to them.

No. 7: Concern for Community. Possibly the most visible of all the cooperative principles, this is what drives electric co-ops to be good stewards of the communities they serve.

Houston County EC and its employees undertake a variety of projects, including supporting local charitable organizations, volunteer fire departments, schools and businesses.



Last year, Houston County EC sent a crew of seven to assist Jasper-Newton EC during Hurricane Harvey relief.

its annual meeting, where members elect directors to serve on the board that governs the cooperative. Annual meetings also allow members to get to know the people who run their co-op and learn about co-op business matters.

No. 3: Members' Economic Participation. Because members own their electric cooperatives, co-ops do not create profits for distant shareholders. Instead, any excess revenue—called margins—is allocated back to the membership in the form of capital credits, or patronage capital. The co-op uses these allocated funds as working capital until the board of directors determines that returning the funds to members makes financial sense. When capital credits are retired, members are paid

Holiday Recipe Handbook

Blue Green Bean Casserole

- 2 pounds fresh green beans, washed and snapped to 1-inch length
- ½ pound mushrooms, cleaned and sliced
- 6–7 slices bacon
- 3 tablespoons bacon grease
- 4 green onions
- 2½ tablespoons flour
- 1 pint heavy cream
- 4 ounces Gorgonzola or other blue cheese
- 4 ounces freshly grated Parmesan cheese
- 1 can (6 ounces) french-fried onions

1. Line the bottom of a 9-by-13-inch pan with green beans. Top with layer of sliced mushrooms.
2. In a large skillet, fry bacon until crisp. Drain, while reserving bacon grease, and return 3 tablespoons of drippings to the pan. Chop bacon and set aside. Chop green onions, including the white roots, and set aside.
3. Add flour to drippings in skillet and whisk over medium heat until flour browns. Whisk in cream and allow to just boil around the edges of the pan. Add blue cheese, bacon and green onions and allow cheese to melt but not boil.
4. Pour cream mixture over green beans, then sprinkle first with Parmesan, then french-fried onions.

5. Cover with foil and bake 30 minutes at 400 degrees. Reduce heat to 350 degrees, remove foil and bake another 30 minutes.

Paula's Cranberry Relish

- 1 pound fresh or thawed frozen cranberries
- 1½ cups dried sour cherries or dried cranberries
- 1½ cups sugar
- ½ cup red wine (or unsweetened cranberry juice)
- 2 pods star anise
- 1 cinnamon stick
- ½ cup freshly squeezed Satsuma tangerine juice (or orange juice)
- ½ teaspoon kosher salt

1. In a heavy medium saucepan, combine all ingredients except salt and bring to a simmer over medium heat. Cook the sauce about 10–15 minutes, stirring occasionally, until the cranberries burst and the texture becomes thick and jamlike.
2. Use a spatula to transfer the sauce into a heatproof bowl and let cool completely. Season with salt to taste and refrigerate until chilled.
3. Serve the sauce cold or at room temperature. Remove cinnamon stick and star anise just before serving.

COOK'S TIP

The sauce will thicken upon standing. Stir in a few tablespoons of water, if desired, for a thinner consistency.

Cornsilk Pudding Pie

- 3 eggs
- 1 cup heavy cream
- ¼ cup (½ stick) butter, melted
- 1 teaspoon salt
- ½ teaspoon pepper, or less, as desired
- ½ teaspoon cayenne pepper, or less, as desired
- 1 pound frozen corn kernels, thawed
- 2 cups shredded sharp cheddar cheese
- 1 cup shredded Parmesan cheese

1. Preheat oven to 350 degrees. Lightly mist interior of a 9-inch pie dish with nonstick cooking spray (or lightly coat with olive oil or butter).
2. In a large mixing bowl, beat together the eggs, cream, butter and seasonings. Stir in corn.
3. Pour half of corn mixture into prepared pie dish. Sprinkle cheddar over corn mixture. Pour remaining corn mixture over cheddar layer. Sprinkle with Parmesan.
4. Bake 50 minutes, or until set. Makes one 9-inch pie.

Holiday Countdown

THREE WEEKS AHEAD

- Plan your pretty holiday table (place cards, flowers and/or candles).
- Finalize menu—choose strategic side dishes that free up the oven.

TWO WEEKS AHEAD

- Prepare foods that can be stored in the freezer, such as pie dough and chicken stock, in advance.
- Stock beverages, including spirits or wine as well as drinks for kids.

ONE WEEK AHEAD

- Purge and clean your fridge to make room for holiday cooking.
- Thaw turkey. (This can take a couple of days.)
- Match serving dishes to recipes.
- Shop for fresh ingredients to avoid the crowds.

TWO TO THREE DAYS BEFORE

- Soups, dips and cranberry sauces all improve if made in advance.
- If you're using a liquid brine, now's the time.

- Go over recipes one last time to make sure you have everything you need. Consider organizing them on sheet pans.

THE DAY BEFORE

- Bake pies, make salad dressings, prepare crudites and refrigerate in zip-close bags.
- Cube dry bread or cornbread for stuffing.

GAME DAY

You've got this. Happy holidays from your friends at Houston County EC!