

Debt Is Necessary But Manageable



MESSAGE FROM ASSISTANT GENERAL MANAGER PAULA FARQUHAR

HILCO ELECTRIC COOPERATIVE is constantly investing in the electric distribution system that is necessary to serve its members. We purchase poles, wires, meters, transformers and other vital equipment and structures to provide power to your homes and businesses. These items are used to construct new line extensions, install improvements to existing lines and perform upgrades to meters and other equipment. It is extremely important that components of the distribution system be renewed and replaced to ensure the consistent and reliable operation that our members deserve.

Along with ongoing improvements and repairs to the electric distribution infrastructure, some of the recent major projects in which HILCO has invested are the installation of a supervisory control and data acquisition (SCADA) system, implementation of the outage management system and the ongoing meter-replacement project. SCADA is a cooperative-wide communication system that provides instant information regarding the status of the co-op's distribution equipment and any problems as they occur. It also provides the ability to repair and control equipment remotely.

HILCO's outage management system provides real-time outage information to members via HILCO's website. This is also a great tool for HILCO employees as it allows linemen, member service representatives and dispatchers to locate outages quicker and easier. Another project that provides more information and control for our members is the upgrade of our current automated meters throughout the system. The newer meters provide usage, outage and other diagnostic information in 15-minute intervals instead of the longer time frames provided by older models.

The cost of these investments is funded by members through payment of operating revenues and aid to construction, and with capital obtained from our trusted lenders. We work with these lenders to obtain funds with the most beneficial loan terms available. Over the past few years, HILCO has been able to avoid large increases in total long-term debt while continuing to invest in the co-op. From December 31, 2011, through December 31, 2015, growth in total utility plant has been 17 percent while there has been a **reduction** in total long-term debt of 0.7 percent.

Along with avoiding the addition of large amounts of long-term debt, HILCO has structured its long-term debt to reduce overall interest expense over the previous several years. We have taken advantage of the recent trend in lower interest rates, which has provided a great benefit when combined with the avoidance of new debt. From December 31, 2011, through December 31, 2015, the total annual interest expense has been reduced by 8.5 percent.

HILCO will continue to meet necessary demand caused by growth and perform improvements to ensure reliable and affordable service. Future growth could necessitate more borrowing, but we will always strive to use members' funds in the most efficient and effective ways while adhering to the Seven Cooperative Principles.



BOARD OF DIRECTORS

Joseph Tedesco, President, *District 4*
Bill Allen, Vice President, *District 5*
Janet Smith, Secretary-Treasurer,
District 7
Leroy Huff, *District 1*
Margaret Hill, *District 2*
George Thiess, *District 6*
Ron Roberts, *District 3*

Operating in Dallas, Ellis, Hill, Johnson
and McLennan counties

GENERAL MANAGER AND CEO

Debra A. Cole

COOPERATIVE OFFICES

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Itasca, Texas 76055
(254) 687-2331
1-800-338-6425

Midlothian

300A Silken Crossing
Midlothian, Texas 76065
(972) 723-2900

Whitney

4581 FM 933
Whitney, Texas 76692
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1-888-850-6551



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and outages after hours:

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FIND US ON THE WEB

hilco.coop



Representing HILCO, from left, are: Kane Montgomery, Brandon Hightower, Lance Henkelman, John Prescott, Toby Amerson, Michael Zamzow, Brian Helms, Derek Allen, Chris Brown, Clayton Thompson and Michael Grisham.

Team HILCO Ready To Compete

Eleven HILCO linemen will set out to compete and showcase their skills at the annual Texas Lineman’s Rodeo at Nolte Island Park in Seguin. The event will take place July 16, beginning with the flag-raising ceremony and continuing throughout the day. Admission is free, and all are welcome to attend and show support for the linemen. If you would like more information on the event, visit tltra.org. We wish our guys the best of luck!



INDEPENDENCE DAY

MONDAY, JULY 4

HILCO EC will be closed in observance of the holiday.

JULY Bulletin

July 2

Whitney

1-10 p.m., downtown Whitney, celebration with activities for kids and entertainment. Fireworks begin at 9 p.m.

July 4

Waco

4th on the Brazos, 7-10 p.m. Free. Call (254) 750-5627 for more information.

July 3

Waxahachie

Crape Myrtle Festival with fireworks and concert beginning at 5 p.m. Call (972) 937-2588 for more information.

July 19

Itasca

HILCO EC’s Blood Drive, 1-5 p.m., Itasca Farrow Room, next to the main office.

BILLING SCHEDULE

Payments are due by close of business at 5 p.m. on the due date.

CYCLE 1

Billing Date July 7
Due Date July 23

CYCLE 2

Billing Date July 14
Due Date July 30

CYCLE 3

Billing Date July 21
Due Date August 6

CYCLE 13

Billing Date July 22
Due Date August 6

CYCLE 4

Billing Date July 28
Due Date August 13

Lifesaving Lessons To Be Learned



EMILIE PHOTOGRAPHIE | ISTOCK.COM

To prevent injuries, check outlets around docks and pools to make sure they have GFCI protection, and check cords for exposed wires.

WHETHER IT'S SWIMMING, boating or fishing, summertime is water recreation time for millions. HILCO Electric Cooperative reminds everyone to avoid electrical hazards during water recreation.

Electricity is essential—it keeps us cool in the summer, lights our houses, keeps the refrigerator cold and runs the TV, stereo and computers. Electricity also can be dangerous. It doesn't take much electricity to hurt someone. The power that runs through most circuits is enough to kill an adult.

Ground-fault circuit interrupters are one form of pro-

tection from electrical hazards. GFCIs detect dangerous situations in which a shock might occur and cut off power immediately to prevent it. Anywhere electricity is used in close proximity to water, there is a shock hazard. You should have GFCI protection on underwater lighting circuits, lighting around pools, and on hot tubs and spas.

Heed these tips to stay safe in or around swimming pools:

Do not put any electrical appliances within 5 feet of a swimming pool. Use battery-operated, rather than electrical, appliances near swimming pools.

Pools and decks should be built at least 5 feet away from all underground electrical lines and at least 25 feet away from overhead electrical lines. Any electrical outlets within 20 feet of a pool should be equipped with a GFCI.

Never swim during a thunderstorm.

If a swimmer is electrocuted or shocked, don't dive in yourself because you could be electrocuted too. Turn off the power, and then use a fiberglass shepherd's hook to pull the victim out of the water. Call emergency services immediately.

When you leave the pool, don't change the radio station or touch any electrical appliances until you are dry. Never touch any electrical appliances when you are wet or standing in water.

If children wish to play with sprinklers or hoses, emphasize that they should be set up well away from any electrical outlets or appliances. In most instances, if potential safety hazards are taken into consideration and handled proactively, accidents and deaths can be avoided.

If you plan to go boating or fishing this summer, be aware of your surroundings and potential electrical hazards. Electricity is also dangerous around larger bodies of water.

Always check the location of nearby power lines before boating or fishing. Contact between your boat and a power line could be devastating. Maintain a distance of at least 10 feet between your boat and nearby power lines to be safe. Your boat's wiring should be in compliance with American Yacht Club Standards. If you are not qualified to work on your boat's electrical system, hire a professional.

If your boat does come into contact with a power line, never jump out of the boat into the water because the water could be energized. Instead, stay in the boat and avoid touching anything metal until help arrives or until your boat is no longer in contact with the line.

Be sure dockside outlets have GFCI protection, and check cords that are plugged into them to make sure there are no broken casings or exposed wires.

Check for the location of power lines before fishing. Make sure you are casting the line away from power lines to avoid contact.

HILCO Awards \$15,000 in Scholarships

HILCO ELECTRIC IS PROUD TO AWARD scholarships to 20 area graduates who plan to begin college this fall. These recipients were chosen from more than 75 applicants within our five-county service area. The contestants were asked to write an essay on “The Importance of Good Leadership,” and winners were chosen by a panel of judges through a blind judging procedure.

Students were evaluated on their essays, academic performance, community involvement, extracurricular activities and financial need.

For more than 75 years, HILCO Electric has taken an active role in the communities we serve. In particular, we proudly support the academic endeavors of our local youths. HILCO is able to offer scholarships by the use of unclaimed money from the state, designated to be used for a scholarship program.

We would like to thank all of the high school seniors who participated in our 2016 Scholarship for Excellence Contest and wish you all the best of luck in your future endeavors.

Discover more ways HILCO Electric supports the community at hilco.coop.



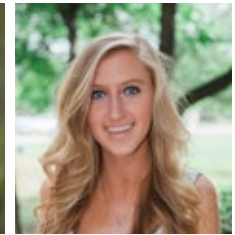
Abigail Ayers
Whitney HS



Abigail Rodgers
Waxahachie HS



Alexandria Balderas
Hillsboro HS



Amanda Penwarden
Midlothian HS



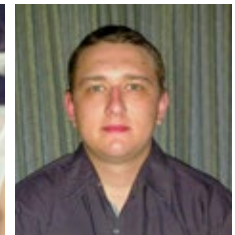
Ashlyn Wilkerson
Whitney HS



Ayanna Brown
Midlothian HS



Elle Miller
Trinity Christian HS



Joshua Svacek
West HS



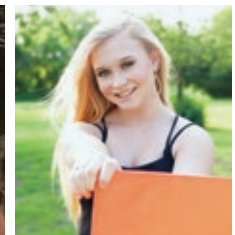
Kyla Chandler
Maypearl HS



Megan Bee
Aquilla HS



Sydney Hudechek
Whitney HS



Taylor Page
Aquilla HS



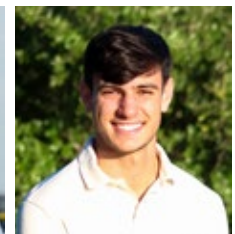
Ashton Leech
Whitney HS



Kailey Moore
Gholson HS



Hunter Pustejovsky
Midlothian HS



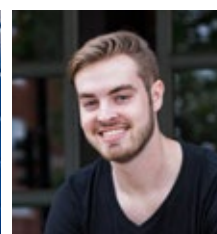
Andre Rubio
Whitney HS



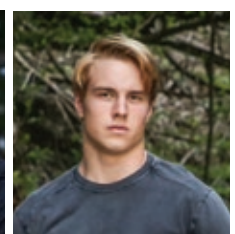
Garrett Meurer
West HS



Rebecca Anderson
Midlothian HS



Seth Townson
Whitney HS



Mason Tabola
West HS



***Congratulations,
Class of 2016!***

MESSAGE FROM THE HILCO ELECTRIC COOPERATIVE BOARD OF DIRECTORS

What's in It for "We?"

ONE OF THE MOST ATTRACTIVE FEATURES of cooperatives is that instead of answering the popular question, "What's in it for me?" we answer a different question: "What's in it for *we*?"

Cooperatives often are formed when the market fails to offer a product or service with decent quality at an affordable price. HILCO Electric Cooperative was formed decades ago, after the folks behind investor-owned utilities decided there was not enough profit to be made in hard-to-reach rural areas and refused to offer electricity to our community.

In response, the founding members of your cooperative went door to door to collect \$5 from each household to raise a portion of the original investment the co-op needed. Those early go-getters realized the only way to get electricity for *me* was to get it for *we*, the whole community.

Cooperative ownership lies in the hands of the people who use the co-op's products and services, not outside investors. Not only did co-ops start by answering the "What's in it for *we*?" question, but they also continue to answer that question for as long as they exist. 4709539901

These days, we often hear about companies that abandon their local communities and move overseas in search of cheaper labor. This negatively affects the community through job losses, declines in housing values and school closures. Because local residents largely own them, cooperatives are less likely to leave their community. It would be practically impossible for HILCO Electric to leave ours. The co-op is a critical part of what holds this community together.

The way co-ops continue to answer the question, "What's in it for *we*?" is essential to their survival. It is imperative that we keep you, our members, as the primary focus. Keeping rates as low as possible is one major part of that focus, but ensuring that we provide real value as your trusted energy advisor is also extremely important.

By maintaining that focus with your help and support, we



Co-ops were created to help the members they serve, and 75-plus years later, that focus is still the same.

will continue to be able to serve the *me* and the *we* in our community long into the future.

As your board of directors, our clear goal is to keep you, our members, and the communities we serve, our priority.

Don't forget to join us for our upcoming annual meeting September 29 at the Waxahachie Civic Center. Hope to see you there!

HILCO Electric Cooperative Board of Directors



Joe Tedesco
President



Bill Allen
Vice President



Jan Smith
Secretary-Treasurer



Ron Roberts
Director



George Thiess
Director



Margaret Hill
Director



Leroy Huff
Director



Keeping the Lights On and the Rates Affordable As HILCO Electric Cooperative, Inc. Continues to Grow

In an ever-changing world where the value of the dollar continues to slip, your cooperative has weathered the storm. Below are some key financial data covering the past ten years we wanted to share with you, the member-owners of HILCO Electric Cooperative, Inc.

	<u>2005</u>	<u>2007</u>	<u>2009</u>	<u>2011</u>	<u>2013</u>	<u>2015</u>
What do we cost?						
Average Cost per kWh (Residential)	\$0.1097	\$0.1219	\$0.1136	\$0.1082	\$0.1045	\$0.1019
Are we growing?						
Number of Meters	20,682	22,323	22,888	23,312	24,249	25,611
Growth in kWh Sales* (Residential)	7.87%	1.00%	2.73%	2.37%	4.15%	1.32%
Miles of Line	2,765	2,825	2,859	2,876	2,889	2,922
What are we worth						
Total Value of Plant at Year End	\$86,763,655	\$102,701,008	\$113,190,468	\$120,788,352	\$130,678,880	\$140,868,331
How much do we owe?						
Long Term Debt at Year End \$73,214,898	\$55,678,686	\$71,912,091	\$69,341,593	\$70,736,923	\$72,044,149	\$70,208,950
Annual Short Term Interest Expense	\$244,155	\$394,700	\$128,680	\$12,835	\$28,921	\$24,110
Is HILCO retiring capital credits?						
Capital Credits retired and paid to Members	(mailed early at the end of 2004)	\$362,419	\$214,101	\$818,678	\$1,087,855	\$1,232,220
Number of HILCO Employees at Year End	83	78	80	80	79	85

* Several factors contribute to growth or reduction in kWh sales such as extreme weather conditions and participation in energy conservation programs like Beat Our Peak.

While there have been challenges over the years past, the cost of power has remained stable while assets and growth are going up. All great news for the member-owners of HILCO.

HILCO Board of Directors Joe Tedesco, Bill Allen, George Thiess, Jan Smith, Ron Roberts, Leroy Huff and Margaret Hill would like to commend the staff and employees for a job well done.

HILCO Members Honored at Picnic

SUNSHINE, FOOD, PRIZES AND FELLOWSHIP WERE the main attractions at HILCO’s Annual Southern Member Appreciation Picnic on April 28.

The heat did not keep some members from arriving early. The early birds arrived about 3:30 p.m. with their lawn chairs and waited patiently outside until the doors opened at 4:45 p.m. As the doors opened, members were greeted by HILCO staff with welcoming smiles as they passed out HILCO-branded bags with goodies.

The Charles Nemece Band entertained members as they made their way through the serving line to receive a plate of Michna’s famous barbecue.

Once everyone made it to their seats, General Manager/CEO Debra Cole welcomed members and guests with her traditional jokes. Cole also followed with a recap of the year and expressed to members that our mission is to provide the best service at the lowest possible cost to our members. In Cole’s closing, she expressed her gratitude to the directors, staff, employees and members for attending the picnic.

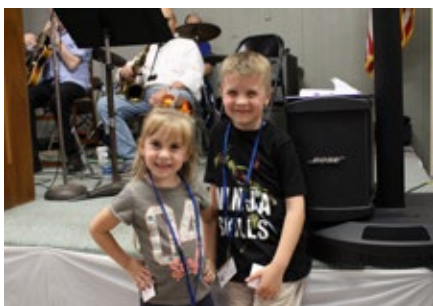
HILCO Board President Joe Tedesco asked all to stand for the Pledge of Allegiance, followed by the invocation.

Assistant General Manager of Operations Thomas Cheek called out names for the highly anticipated prize drawings. Names were drawn for a total number of 29 great prizes. Thank you to the grandchildren of Melinda Whitlock for assisting with the prize drawing. As always, the kids did an excellent job, and we appreciate their help.

A big “thank-you” goes to our vendors and subsidiaries for their generous contributions: T&D Solutions, Schneider Engineering and HILCO US.

The event is hosted each year by the HILCO EC Board of Directors—President Joe Tedesco, Vice President Bill Allen, Secretary-Treasurer Jan Smith, Director Margaret Hill, Director Ron Roberts, Director George Thiess and Director Leroy Huff—and HILCO staff and employees to show their appreciation to the members of HILCO EC.

We thank everyone for coming out, and we look forward to seeing you all next year!





Ride 2 Recovery Re-energizes in Whitney

Ride 2 Recovery made a stop April 15 at Whitney High School, and more than 200 injured veterans and active-duty military cyclists received a warm welcome from local students and volunteers from the area. This year marks the third year that HILCO Electric has had the privilege to partner with the USO and United Health Care to help prepare and serve lunches to cyclists.

Ride 2 Recovery is a groundbreaking veterans program that began in 2008 with a mission to save lives by restoring hope and purpose and provide a way of life with vets helping vets. These men and women come from various branches of the U.S. military and have different disabilities, but they all share the same drive and determination to successfully complete the mission.

Since the inception of the program, more than 2,500 bikes have been given to participants, 217 custom-adapted bikes have been built by R2R, and more than 10,000 riders have participated. R2R hosts five challenges within the U.S. and one challenge in Germany.

The Ride 2 Recovery Texas Challenge is a weeklong ride that began April 9 in Houston and ended April 16 in Fort Worth. If you would like to learn more about Ride 2 Recovery, visit ride2recovery.com.

Keep Fireworks Away From Power Lines

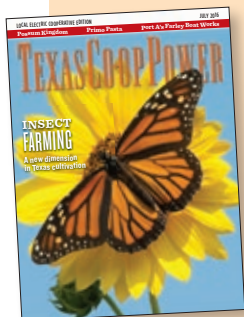
CAN'T WAIT FOR THE professional fireworks display—the one the local fire-fighters supervise so nobody gets hurt? You're taking a huge risk.

Even legal fireworks can be dangerous, the U.S. Fire Administration warns. In fact, Fourth of July revelers report about 9,300 fireworks-related injuries each year.

If you must put on your own fireworks show, keep it away from power lines. Light fireworks in open areas so far away from power lines that you can't even see any.

Here are additional safety tips:

- ▶ Children should be spectators, not participants, in the show. Never give small children fireworks or sparklers.
- ▶ Read and carefully follow directions and warning labels. Most injuries result from improper use.
- ▶ Keep spectators at least 20 feet away and upwind from where the fireworks will be set off.
- ▶ Light fireworks only on a smooth, flat surface, away from all flammable materials, including dry leaves.
- ▶ Never try to relight fireworks that don't function.
- ▶ If any of your fireworks get tangled in an overhead wire or create a spark on a line, call 911 and your electric cooperative immediately. Do not try to solve the problem yourself.
- ▶ Keep a bucket of water or water hose nearby in case of fire.



Win a \$50 Bill Credit!

As you're reading your *Texas Co-op Power*, look for the "hidden" account number in the local HILCO pages in the center of the magazine. If it's YOUR electric account number, call us before the end of July—you have won a \$50 credit on your HILCO electric bill!

(254) 687-2331 or 1-800-338-6425



Sparklers and fireworks should never be lit around leaves or other flammable materials.