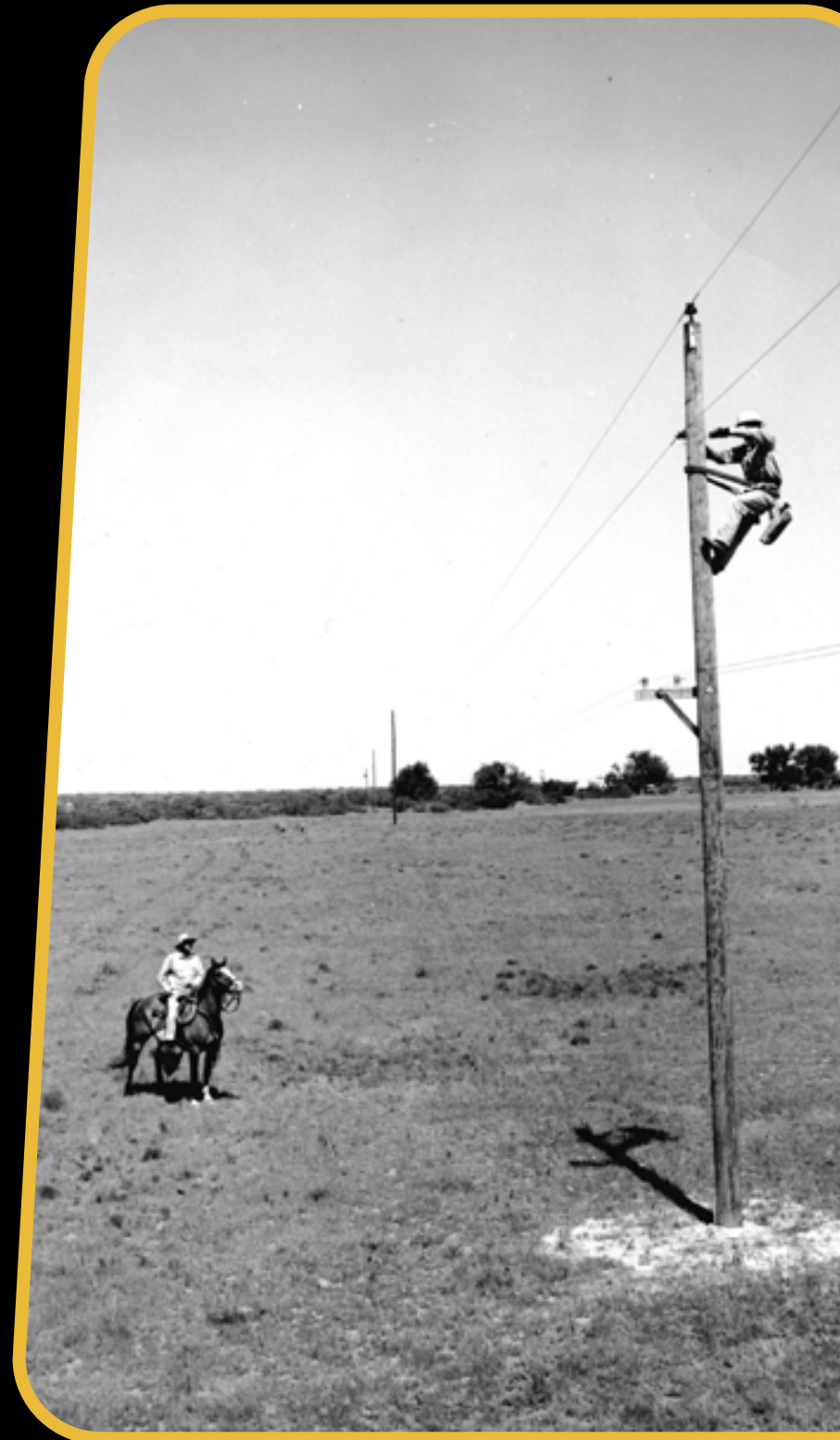


Celebrating

70 Years

LEA COUNTY ELECTRIC COOPERATIVE

2018 ANNUAL REPORT



NOTICE OF ANNUAL MEETING



TO: All Members of Lea County Electric Cooperative, Inc.

Notice is hereby given that the 2019 Annual Meeting of Members of Lea County Electric Cooperative, Inc. will be held Friday, April 26, 2019, at the hour of 6:00 p.m., MDT, at Pannell Auditorium, 701 West Avenue K, at the Lovington High School in Lovington, New Mexico. Said meeting is in compliance with the adopted bylaws of the Cooperative and is for the purpose of electing Trustees, passing upon reports for the previous calendar year and for the transaction of such other business as may come before the meeting. Registration of members will be held on Friday, April 26, 2019 at the following locations: at the Cooperative's main office, 1300 West Avenue D, Lovington, New Mexico or at the Tatum district office, 203 South Main, Tatum, New Mexico between 8:00 a.m. and 4:00 p.m., MDT; Plains district office, 507 9th Street, Plains, Texas between 8:00 a.m. and 4:00 p.m., CDT; or at Pannell Auditorium between 5:00 p.m. and 6:00 p.m. MDT, You are encouraged to register early to avoid delays.

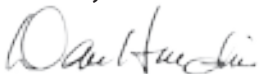
The business session of such meeting will address the following: 1) a report of members present to establish a quorum; 2) a reading of secretary's notice of the meeting and a proof of mailing to members; 3) approval of minutes of the previous Annual Meeting; presentation and consideration of reports from Officers, Trustees, and Committees; 4) an election by the membership of two (2) Trustees from Districts Four (4) and Seven (7); and 5) membership approval of proposed bylaw changes.

Pursuant to Article IV, Section 4 of the Bylaws, a Committee on Nominations, in compliance with the bylaws, was appointed, and met on March 19, 2019, at 5:30 p.m. for the purpose of placing in nomination candidates for the election of two (2) Trustees, one (1) from District Four (4) and one (1) from District Seven (7). A list of said nominations for Trustees has been prepared and posted at the office of Lea County Electric Cooperative, Inc., 1300 West Avenue D, Lovington, New Mexico and at each district office.

According to the bylaws, other nominations may be made by petition signed by fifteen or more members acting together, no less than twenty days prior to the date of the annual meeting of members. A list of any nominations by petition will likewise be prepared and posted. Nominations from the floor shall be limited to candidates whose names have been submitted to the Secretary at least twenty days prior to the date of the Annual Meeting. All nominations, including those by the Committee on Nominations, those by petition, and those to be made from the floor will be submitted to and acted upon by the membership at the 2019 Annual Meeting. A statement of the number of Trustees to be elected and the names and addresses of the candidates (the nominations made by the Committee on Nominations, nominations made by petition, if any, and the names of candidates to be nominated from the floor, if any, being listed separately as required in the bylaws) will be mailed to the members with this Notice of the Annual Meeting.

Article III, Section 5 of the Bylaws states in part: Each Person who otherwise qualifies and who wishes to vote shall register the day of the member meeting and shall be entitled to only one vote on each matter submitted to a vote at the Meeting of Members. Voting persons other than members who are natural persons (e.g. church, business, etc.) shall be allowed by the presentation to the Cooperative, prior to or upon registration at each Member Meeting, of satisfactory evidence entitling the person presenting the same to vote. Voting authorization forms are available at the main office of the Cooperative located at 1300 West Avenue D, Lovington; at the district offices in Tatum and Plains; or by calling 575-396-3631.

IN WITNESS WHEREOF, this Notice has been issued by the Secretary-Treasurer of the Lea County Electric Cooperative, Inc. and its corporate seal hereon impressed this 26th day of March 2019.



Dan Hardin, Secretary-Treasurer

MESSAGE FROM MANAGEMENT



JOHN GRAHAM



BOBBY FERRIS

In 1949, when Lea County Electric Cooperative, Inc. (LCEC) was incorporated, the membership was very similar. A person or family out on their ranch or farm was elated with the convenience of electricity brought to their lives.

Almost immediately, however, the membership began to change from only farming and ranching

to industrial and residential. Whether it was more lights, water pumps, or farm equipment, the needs and expectations of the members began to diversify.

For the next few decades, as LCEC grew, members understood that having electricity available in remote areas was a privilege. Investor-owned utilities (IOUs) were not interested in rural areas with a small number of meters per mile of line that had a low return on investment for their stockholders.

The early day LCEC members understood that if they wanted electricity, that with miles and miles of vulnerable distribution line between the points of origin and use, came exposure to weather and there would be interruptions coming from the weather. The cost of maintaining the service would be expensive. However, they recalled what it was like to do without.

That was then...this is now. History is a great thing, especially when it is a successful history like LCEC's as you will see in the following pages. Today, however, a growing majority of LCEC's member-owners do not know or understand that history. Most members grew up having electricity and do not even remember a time when electricity was not available. Expectations of today's member are much higher than those original members that remember when the lights first came on.

Although it is challenging for the board, management, and employees of LCEC to meet these expectations and ensuring that electric service is safe, reliable, and affordable, it is our responsibility to meet that challenge. We are all undoubtedly aware that the bar has been raised over the last few years. Because of this, we have a better, more efficient, and effective system today.

For the last 15 years, we have invested heavily in our pole replacement program in the form of yearly inspections along with more constant review along with more durable construction standards. We have incorporated new technology such as, GIS staking and mapping, electronic monitoring and metering, and much more. We have provided state-of-the-art tools and technology and increased our education and training budget to keep our employees prepared for new technology.

Although we have seen significant improvements in those areas, we are far from satisfied. We continue to research every opportunity that may be available to improve in all areas. We continually focus on expanding and enhancing communication with you, the member. Two-way communication is vital for it to be effective. The internet and social media tools allow great opportunities to communicate with convenience and effectiveness we could not have imagined just in past years.

We always welcome suggestions on how we can better serve you. Together we are better and stronger. After all, that is the "Cooperative difference."

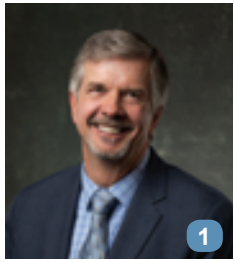
If you have not attended an Annual Meeting before, please make plans to join us at LCEC's 70th Annual Meeting of the Members on Friday, April 26 at the Lovington High School Pannell Auditorium. Registration of members will be on Friday, April 26, 2019, at the following locations: at the Cooperative's central office, 1300 West Avenue D, Lovington, New Mexico or at the Tatum district office, 203 South Main, Tatum, New Mexico between 8:00 a.m. and 4:00 p.m., MDT; Plains district office, 507 9th Street, Plains, Texas between 8:00 a.m. and 4:00 p.m., CDT; or at Pannell Auditorium between 5:00 p.m. and 6:00 p.m. MDT. You are encouraged to register early to avoid delays.

There will be prizes along with entertainment from the Lubbock Christian University acapella group, Best Friends. You don't want to miss out!

John Graham
President
Board of Trustees

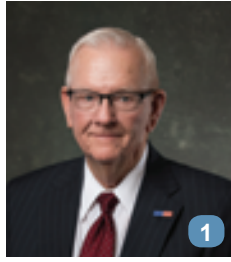
Bobby Ferris
Executive Vice President
& General Manager

BOARD OF TRUSTEES



JOHN GRAHAM
 President
 Spouse: Jeanine
 Board Member since 2012
 Representing District 1
 Occupation: Businessman/
 Newspaper Publisher

1



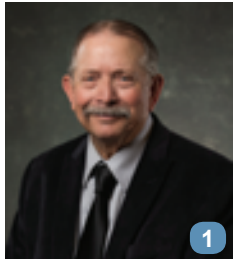
ROBERT CAUDLE
 Vice-President
 Spouse: Joyce
 Board Member since 1984
 Representing District 1
 Occupation: Landman

1



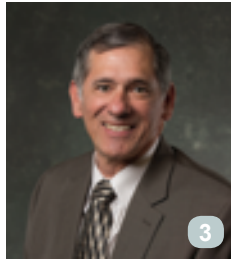
DAN HARDIN
 Secretary-Treasurer
 Spouse: Sandy
 Board Member since 2004
 Representing District 4
 Occupation: Finance

4



KENNETH WALLACE
 Spouse: Elaine
 Board Member since 2013
 Representing District 1
 Occupation: Businessman/Oil
 & Gas Services

1



TRAVIS GLENN
 Spouse: Tonya
 Board Member since 2016
 Representing District 3
 Occupation: Businessman

3



RANDALL McCORMICK
 Spouse: Sandra
 Board Member since 2016
 Representing District 5
 Occupation: Businessman

5

3



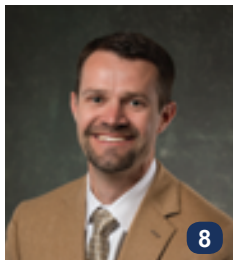
C.J. KINSOLVING
 Spouse: Kaitlin
 Board Member since 2015
 Representing District 6
 Occupation: Ranching

6



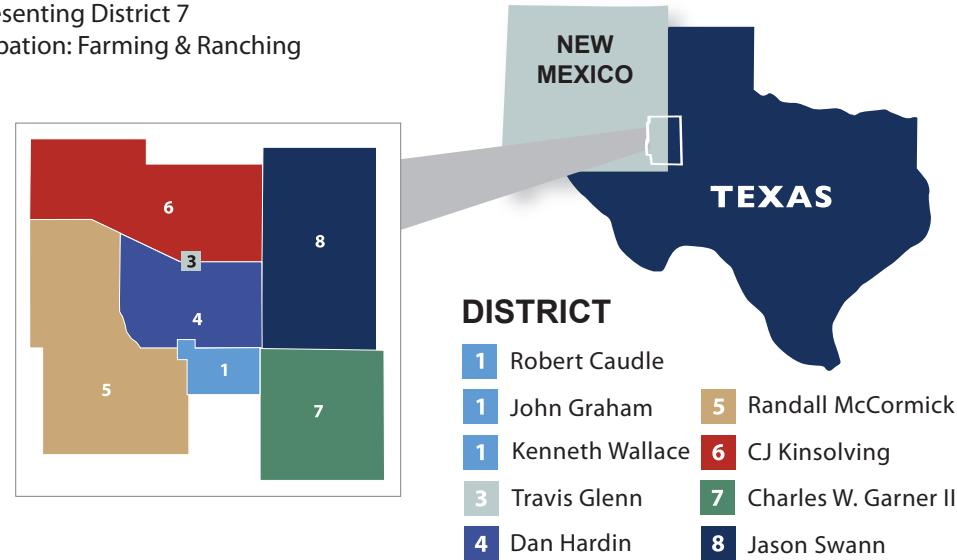
CHARLES W. GARNER II
 Spouse: Christy
 Board Member since 2014
 Representing District 7
 Occupation: Farming & Ranching

7



JASON SWANN
 Spouse: Erin
 Board Member since 2018
 Representing District 8
 Occupation: Banking

8



Summary of Proposed Lea County Electric Cooperative, Inc. Bylaws Changes for April 2019 Annual Meeting

Introduction

The last Lea County Electric Cooperative, Inc. (Cooperative) Bylaws revision was April 2008. For the reasons outlined below, the Board decided to undertake this proposed revision. The Board and Management reviewed the bylaws and saw the need for change due to transparency, technology advancements and the need to comply with state law.

Why we decided to update the bylaws

- In order to generally make our Bylaws conform to current Cooperative practices, specifically with regard to membership
- To remain consistent with New Mexico state law
- To meet current technological advancements
- To be transparent to members

Proposed bylaw changes

ARTICLE 1 MEMBERSHIP

SECTION 1. REQUIREMENTS FOR MEMBERSHIP. (Technology)

Any person, firm, association, corporation, or body politic or subdivision thereof may become a member in Lea County Electric Cooperative, Inc. (hereinafter called the "Cooperative") upon receipt of electric energy, provided he or it has first:

Before:

- (a) made ~~a written~~ application for membership therein;

After:

- (a) made **an** application for membership therein;

SECTION 2. MEMBERSHIP CERTIFICATES. Delete (Cooperative Practices)

~~Membership in the Cooperative shall be evidenced by a Membership Certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Trustees. Such certificate shall be signed by the President and by the Secretary of the Cooperative and the Corporate Seal shall be affixed thereto. No Membership Certificate shall be issued for less than the membership fee fixed in these Bylaws nor~~

~~until such membership fee has been fully paid for in cash. In case a certificate is lost, destroyed or mutilated a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the Board of Trustees may prescribe.)~~

SECTION 3. JOINT MEMBERSHIP. (State Law)

Before:

Either ~~a husband or a wife~~ may apply for a joint membership for both and, subject to compliance with the requirements set forth in...

After:

Either **one of the people in marriage** may apply for a joint membership for both and, subject to compliance with the requirements set forth in...

SECTION 4. CONVERSION OF MEMBERSHIP. (Cooperative Practices)

Before:

A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and ~~his or her~~ spouse to comply with the Articles of Incorporation, Bylaws and all Rules, Regulations and Rate Schedules established pursuant thereto, as all the same then exist or may thereafter be adopted or amended by the Board of Trustees. The outstanding Membership Certificate shall be surrendered and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status. ~~The outstanding Membership Certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.~~

After:

A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder **and spouse** to comply with the Articles of Incorporation, Bylaws and all Rules, Regulations and Rate Schedules established pursuant thereto, as all the same then exist or may thereafter be adopted or amended by the Board of Trustees.

SECTION 6. PURCHASE OF ELECTRIC ENERGY. (Cooperative Practices)

Before:

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative ~~all electric~~ energy used on the premises specified in his Application for Membership, and...

After:

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative **all purchased** electric energy used on the premises specified in his Application for Membership, and...

SECTION 7. TERMINATION OF MEMBERSHIP. (Cooperative Practices)

Before:

- (a) ...The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, or a member who has ceased to purchase energy from the Cooperative, ~~shall~~ be canceled by Resolution of the Board of Trustees.

After:

- (a) ...The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, or a member who has ceased to purchase energy from the Cooperative, **may** be canceled by Resolution of the Board of Trustees.

Before:

- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate, ~~and the Membership Certificate of such member shall be surrendered forthwith to the Cooperative.~~ Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

After:

- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon **terminate**. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

**ARTICLE III
MEETINGS OF MEMBERS**

SECTION 1. ANNUAL MEETING. (Flexibility)

Before:

The Annual Meeting of the Members shall be held between the fifteenth day of April and fifteenth day of June of each year, beginning with the year 1964, at the office or at the plant of the Cooperative, or at such other place, in **Lovington**, New Mexico, as may be designated by the Board of Trustees, for the purpose of electing Trustees, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting.

After:

The Annual Meeting of the Members shall be held between the fifteenth day of April and fifteenth day of June of each year, beginning with the year 1964, at the office or at the plant of the Cooperative, or at such other place, in **one of the counties served by the Cooperative**, in New Mexico, as may be designated by the Board of Trustees, for the purpose of electing Trustees, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting.

SECTION 3. NOTICE OF MEMBERS' MEETINGS. (Technology)

Before:

Written or printed notice stating the place, day and hour of the meeting and, in case of a Special Meeting or an Annual Meeting at which business requiring special notice is to be

transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting, either ~~personally or~~ by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting to each member. If mailed, such Notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon **prepaid**. The failure of any member to receive Notice of such an Annual or Special Meeting of the Members shall not invalidate any action which may be taken by the members at any such meeting.

After:

Written or printed notice stating the place, day and hour of the meeting and, in case of a Special Meeting or an Annual Meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting, either personally, **electronically** or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting to each member. If mailed, such Notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid **or if electronic when sent**. The failure of any member to receive Notice of such an Annual or Special Meeting of the Members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. QUORUM. (Cooperative Practices)

Before:

~~As long as the total number of members does not exceed five hundred, ten per centum (10%) of the total number of members, as reflected on the membership rolls of the Cooperative the day of the Member Meeting, in person shall constitute a quorum. In case the total number of members shall exceed five hundred, fifty (50) members or five per centum (5%) of the members, as reflected on the membership rolls of the Cooperative on the day of the Member Meeting; whichever shall be the larger, shall constitute a quorum.~~ If less than a quorum is registered for any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice, provided, that the Secretary shall notify any absent members of the time and place of such adjourned meeting.

After:

A quorum shall be met when five per centum (5%) of the members, as reflected on the membership rolls of the Cooperative on the record date which will be the end of the month prior to the Annual Meeting day of the Member Meeting have registered during the registration period, which shall be determined by the board but which shall not be any longer than seven (7) days prior to the annual meeting. If less than a quorum is registered for any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice, provided, that the Secretary shall notify any absent members of the time and place of such adjourned meeting.

SECTION 5. VOTING. (Transparency)

Before:

Each person who otherwise qualifies and who wishes to vote shall register ~~the day~~ of the

member meeting and shall be entitled to only one vote on each matter submitted to a vote at a Meeting of the Members.

After:

Each person who otherwise qualifies and who wishes to vote shall register for the member meeting and shall be entitled to only one vote on each matter submitted to a vote at a Meeting of the Members.

SECTION 6. CREDENTIALS AND ELECTION COMMITTEE. (Flexibility & Transparency)

Before:

The Board of Trustees shall, at least ~~ten (10)~~ days before any Meeting of the Members appoint a Credentials and Election Committee. The Committee shall consist of an uneven number of members, not less than five (5), ~~nor more than eleven (11)~~; who are not existing Cooperative employees, Agents, Officers, Trustees or known candidates for Trustee, and who are not members of the same household of existing Cooperative Employees, Agents, Officers, Trustees or known candidates for Trustee.

After:

The Board of Trustees shall, at least **sixty (60)** days before any Meeting of the Members appoint a Credentials and Election Committee. The Committee shall consist of an uneven number of members, not less **than five (5)**, **who** are not existing Cooperative employees, Agents, Officers, Trustees or known candidates for Trustee, and who are not members of the same household of existing Cooperative Employees, Agents, Officers, Trustees or known candidates for Trustee.

SECTION 8. ORDER OF BUSINESS. (Flexibility)

Before:

The order of business at the Annual Meeting of the Members and, so far as possible at all other Meetings of the Members, shall be essentially as follows:

- (1) Report as to which members are ~~present in person~~ in order to determine the existence of a quorum.

After:

The order of business at the Annual Meeting of the Members and, so far as possible at all other Meetings of the Members, shall be essentially as follows:

- (1) Report as to which members are **registered** in order to determine the existence of a quorum.

**ARTICLE IV
TRUSTEES**

SECTION 2. ELECTION AND TENURE OF OFFICE. (Transparency)

Before:

All Trustees shall be elected by secret ballot at each Annual Meeting of the Members by and from the members, to serve during the term for which they were elected and shall have qualified; provided, however, that when the number of nominees do not exceed the number of Trustees to be elected from a particular Trustee District, and if there is no objection, ~~secret written~~ balloting may be dispensed with in respect of that particular

election and voting may be conducted in any other proper manner.

After:

All Trustees shall be elected by secret ballot at each Annual Meeting of the Members by and from the members, to serve during the term for which they were elected and shall have qualified; provided, however, that when the number of nominees do not exceed the number of Trustees to be elected from a particular Trustee District, and if there is no **objection, balloting** may be dispensed with in respect of that particular election and voting may be conducted in any other proper manner.

SECTION 3. QUALIFICATIONS AND AREA REPRESENTATION. (Correction)

Before:

(b) In addition to the residence requirement for the Trustee contained in (a) above, no person shall be eligible to become or remain a Trustee or to hold any position of trust in the Cooperative who:

- (1) is not a member and bona fide resident in the area ~~serve~~ or to be served by the Cooperative; or

After:

(b) In addition to the residence requirement for the Trustee contained in (a) above, no person shall be eligible to become or remain a Trustee or to hold any position of trust in the Cooperative who:

- (1) is not a member and bona fide resident in the **area served** or to be served by the Cooperative; or

SECTION 4. NOMINATIONS. (Technology & Cooperative Practices)

Before:

It shall be the duty of the Board of Trustees to appoint, not less than forty (40) days nor more than seventy (70) days before the date of a Meeting of the Members at which Trustees are to be elected, a Committee on Nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected from members residing in the District or Districts from which trustees are to be elected at the ensuing Annual Meeting. No member of the Board of Trustees may serve on such committee. The Committee shall prepare and post at the principal office of the Cooperative, at least thirty (30) days before the meeting, a list of nominations for Trustees which shall include at least one candidate for each Trustee to be elected. Any fifteen (15) or more members acting together may make other nominations by petition not less than twenty (20) days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted. The Secretary shall be responsible for ~~mailing~~ with the Notice of the Meeting or separately, but at least ten (10) days before the date of the meeting, a Statement of the Number of Trustees to Be Elected and the names and addresses of the candidates specifying separately the nominations made by the Committee and the names of the candidates nominated by petition, if any; ~~and the names of the candidates to be nominated from the floor, if any. Nominations from the floor shall be limited to candidates whose names have been submitted to the Secretary at least twenty (20) days prior to the date of the meeting and the Secretary shall post such candidates' names at the same place where the list of nominations made by the Committee is posted, not less than ten (10) days prior to the meeting. The Chairman~~

~~shall call for such additional nominations from the floor and nominations shall not be closed until any such additional nominations have been made, withdrawn or otherwise handled. No member may nominate more than one candidate. Notwithstanding anything contained herein to the contrary, nominations for Trustees, regardless of whether such nomination is made by the Committee on Nominations, by petition, or by nominations from the floor, shall be made only by a member residing in the district from which a Trustee is to be elected.~~

After:

It shall be the duty of the Board of Trustees to appoint, not less than forty (40) days nor more than seventy (70) days before the date of a Meeting of the Members at which Trustees are to be elected, a Committee on Nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected from members residing in the District or Districts from which trustees are to be elected at the ensuing Annual Meeting. No member of the Board of Trustees may serve on such committee. The Committee shall prepare and post at the principal office of the Cooperative, at least thirty (30) days before the meeting, a list of nominations for Trustees which shall include at least one candidate for each Trustee to be elected. Any fifteen (15) or more members acting together may make other nominations by petition not less than twenty (20) days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted. The Secretary shall be responsible for **servin**g with the Notice of the Meeting or separately, but at least ten (10) days before the date of the meeting, a Statement of the Number of Trustees to Be Elected and the names and addresses of the candidates specifying separately the nominations made by the Committee and the names of the candidates nominated by petition, **if any**.

SECTION 8. LIMITATION ON LIABILITY OF TRUSTEES AND INDEMINIFICATION OF OFFICERS AND TRUSTEES. (Grammar)

Before:

(b) To the fullest ~~extend~~ permitted by law, the Cooperative shall indemnify any Trustee or Officer or former Trustee or Officer of the Cooperative...

After:

(b) To the fullest **extent** permitted by law, the Cooperative shall indemnify any Trustee or Officer or former Trustee or Officer of the Cooperative...

**ARTICLE V
MEETINGS OF TRUSTEES**

SECTION 1. REGULAR MEETINGS. (Flexibility)

Before:

A Regular Meeting of the Board of Trustees shall be held without notice, immediately after, and at the same place as, the Annual Meeting of the Members. A Regular Meeting of the Board of Trustees shall also be held monthly at such time and place in ~~Lea County~~, New Mexico, as the Board of Trustees may provide by Resolution. Such regular monthly meetings may be held without notice other than Resolution fixing the time and place thereof.

After:

A Regular Meeting of the Board of Trustees shall be held without notice, immediately after, and at the same place as, the Annual Meeting of the Members. A Regular Meeting

of the Board of Trustees shall also be held monthly at such time and place in **a county served by the Cooperative**, as the Board of Trustees may provide by Resolution. Such regular monthly meetings may be held without notice other than Resolution fixing the time and place thereof.

SECTION 2. SPECIAL MEETINGS. (Flexibility)

Before:

Special meetings of the Board of Trustees may be called by the President or by any three Trustees and it shall thereupon be the duty of the Secretary to cause Notice of such Meeting to be given as hereinafter provided. The President or the Trustees calling the meeting shall fix the time and place (which shall be in ~~Lea County, New Mexico~~) for the holding of the meeting.

After:

Special meetings of the Board of Trustees may be called by the President or by any three Trustees and it shall thereupon be the duty of the Secretary to cause Notice of such Meeting to be given as hereinafter provided. The President or the Trustees calling the meeting shall fix the time and place (which shall be in **a county served by the Cooperative**) for the holding of the meeting.

SECTION 3. NOTICE OF TRUSTEES' MEETINGS. (Technology)

Before:

~~Written~~ notice of the time, place and purpose of any Special Meeting of the Board of Trustees shall be delivered to each Trustee not less than five (5) days previous thereto, ~~either personally or by mail~~, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the Trustees calling the meeting. ~~If mailed~~, such Notice shall be deemed to be delivered when deposited in the United States mail addressed to the Trustee at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

After:

Notice of the time, place and purpose of any Special Meeting of the Board of Trustees shall be delivered to each Trustee not less than five (5) days previous **thereto**, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the Trustees calling the meeting. **Such** Notice shall be deemed to be delivered when deposited in the United States mail addressed to the Trustee at his address as it appears on the records of the Cooperative, with postage thereon prepaid **or sent electronically**.

**ARTICLE VI
OFFICERS**

SECTION 4. PRESIDENT. (Cooperative Practices)

Before:

The President shall:

(b) ~~sign, with the Secretary, Certificates of Membership, the issue of which shall have been authorized by the Board of Trustees or the members, and~~ may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Trustees to be executed, except in cases

in which the signing and execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other Officer or Agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

After:

(b) **may sign** any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Trustees to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other Officer or Agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

SECTION 6: SECRETARY. (Cooperative Practices)

Before:

The Secretary shall:

(c) be custodian of the corporate records and of the Seal of the Cooperative and affix the Seal of the Cooperative ~~to all Certificates of Membership prior to the issue thereof and~~ to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;

After:

(c) be custodian of the corporate records and of the Seal of the Cooperative and affix the Seal of the **Cooperative to** all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;

SECTION 11: COMPENSATION. (Cooperative Practices)

Before:

The powers, duties, and compensation of Officers, Agents and **Employees** shall be fixed by the Board of Trustees, subject to the provision of these Bylaws with respect to compensation for Trustees and close relatives of Trustees.

After:

The powers, duties, and compensation of Officers, Agents and **the manager** shall be fixed by the Board of Trustees, subject to the provision of these Bylaws with respect to compensation for Trustees and close relatives of Trustees.

ARTICLE VII

NONPROFIT OPERATION

SECTION 2. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY. (Cooperative Practices)

Before:

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a prorata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board

of Trustees shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patron's accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired. In no event, however, shall any such capital be retired, unless the proposed retirements would be in compliance with the applicable requirements in any agreement between ~~the Rural Utilities Service~~ and the Cooperative.

After:

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a prorata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Trustees shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patron's accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired. In no event, however, shall any such capital be retired, unless the proposed retirements would be in compliance with the applicable requirements in any agreement between **the Cooperative and its lenders**.

**ARTICLE X
FINANCIAL TRANSACTIONS**

SECTION 2. CHECKS, DRAFTS, ETC. (Technology)

Before:

All checks, drafts or other orders for the payments of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such Officer or Officers, Agent or Agents, Employee or Employees of the Cooperative and in such manner as shall from time to time be determined by Resolution of the Board of Trustees.

After:

All checks, drafts or other orders for the payments of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed **or authorized** by such Officer or Officers, Agent or Agents, Employee or Employees of the Cooperative and in such manner as shall from time to time be determined by Resolution of the Board of Trustees.

**ARTICLE XI
MISCELLANEOUS**

SECTION 2. WAIVER OF NOTICE. (Technology)

Before:

Any member or Trustee may waive ~~in writing~~ any Notice of a Meeting required to be given by these Bylaws.

After:

Any member or Trustee may **waive any** Notice of a Meeting required to be given by these Bylaws.

YEAR IN REVIEW



Parade in Lovington in the 1950's.

In the spirit of our theme “Rich past...Brighter future,” we are mindful that nothing is more important than the cooperative way of doing business. The primary purpose of a cooperative is to work together toward a common goal. That goal was set for us by our founders: to provide electricity to our neighbors that is safe, reliable, and at the lowest cost possible.

SYSTEM OPERATIONS

In looking back at 2018, we can remember it as another productive year for Lea County Electric Cooperative, Inc. (LCEC). We installed new services to over 300 new members and increased our plant by more than \$8 million. Kilowatt sales were over 1.3 billion kWh sold, an increase of approximately 100 million over last year.

Some of the larger loads added were:

- 15 Megavolt Amperes (MVA) substation for Stakeholder Compression Plant near Plains, Texas.
- Stateline oilfield load increased by 18,500 horsepower (hp) and irrigation by 800 hp.
- A 500-Kilovolt Amperes (KVA) pad mount transformer was added to Nor-Lea General Hospital in Lovington, New Mexico.

As we look forward to 2019 LCEC anticipates the following:

- The building of a new 115 kilovolt (kV) bay, rebuilding of the transmission line from substation ERF to KCM and conversion from a 69 kV to 115 kV transmission line along with ROZ/Tall Cotton substation to accommodate Kinder Morgan's increasing load.
- KCM substation will receive a new power transformer with a higher Megavolt Amperes rating, new breakers, and a new control house with new Schweitzer Engineering Laboratories (SEL) relays.
- A second transformer will be added to NewTex substation along with a new breaker, and new distribution breakers with SEL relays.
- To accommodate the oil field growth in the Texas service area the Bronco substation will be upgraded to a 15 MVA unit from a 10 MVA. Switches Saunders and Fort will have current 69 kV breakers converted to Sulphur Hexafluoride (SF6) Circuit Breakers along with upgrading to SEL relays.

As Lea County Electric Cooperative continues to grow, we are working hard to anticipate the increasing electricity demands will be added to our system. Reliability is critical to us; in 2018, the average member had power 99.95 percent of the time. Our goal is to maintain that high reliability with the upgrade of our current system as well as the addition of new lines and substations.

INFORMATION TECHNOLOGY

2018 brought the completion of LCEC's new Operations Facility. The Information Technology (IT) team's contribution to the project included the installation of the data network, new supervisory control and data acquisition (SCADA) servers, and the necessary technology to support LCEC's 24 hours a day and 7 days a week dispatch center.

The year's major project involved the conversion to LCEC's new business software, National Information Solutions Cooperative (NISC). It proved to be an immense undertaking for all departments. The project began in 2017 with most of the work performed and completed during this past year. The IT team spent the majority of 2018 working toward the successful completion of the conversion and implementation of NISC software.

Gazing into the future, 2019 promises to deliver a full and productive year as the IT department continues to provide support for our existing technology needs and prepare for the growth of our cooperative. Plans have been laid to upgrade portions of our communication network through the installation of additional

fiber optic cable and to continue protecting and improving our network and communications infrastructure. In addition, the replacement of our Land Mobile Radio (LMR) system project will transition LCEC from an aging analog system to a digital one. This upgrade will significantly improve radio coverage within our service territory resulting in a reliable method of communication for our field crews. Another exciting 2019 project is the implementation of Automatic Vehicle Location (AVL) technology giving LCEC real-time visibility and control over field operations. Benefits include the reduction of vehicle and driver downtime and the enhancement of worker safety. A top priority at LCEC is information security risk management and the protection of our customer's data. To this end, LCEC will undergo a third-party Comprehensive Penetration Test, a SCADA Vulnerability Assessment, and an Information Security Program Review in 2019. All to protect you, the most valuable part of LCEC.

BILLING AND CUSTOMER SERVICE

We continually strive to exceed your expectations for safe, reliable, and affordable electric service. You can rely on us to make paying for your energy bills as easy as possible, with several new options available. They are; SmartHub App,

Online Payments, Credit Card payment by phone or in office, Automatic Bank Draft, Levelized Budget Payment Plan, Mail, and Night Drop.

CAPITAL CREDITS

Capital credits and member control make LCEC very different from other utilities – LCEC's power comes "from the members." In 2018 we retired over \$5 million in capital credits to members that had service from 1992-1994. This repayment is the highest amount retired in the Cooperative's history. Over \$48.6 million has been refunded since we began repaying capital credits in 1952.

COMMITMENT TO COMMUNITY

As the landscape changes around us, one thing that has remained constant since we first energized the lines is the need to help improve the quality of life in the communities we serve. The Cooperative allocates Sponsorship and Donation funds to be used by schools, groups or organizations located in our service area. In 2018, LCEC partnered with CoBank, a financial partner, and donated a total of \$10,000 to organizations such as Heart's Desire, Toy Tee, and Lovington MainStreet.

EDUCATION PROGRAMS

Lea County Education Scholarship program has awarded over \$2.2 million to 2,047 service area students since 1987. LCEC's Government-in-Action Youth Tour program has sent 93 area high school students since 1979 to Washington, D.C. on an all expense paid week-long educational trip. Safety Demonstrations are presented to hundreds of elementary students and adults teaching them about electricity and staying safe around it. Our Safety Coordinator facilitates these presentations at different schools in our service area, Lea County Fair and Rodeo, Farm Safety Days, and at specialized meetings.

Lea County Electric Cooperative is made up of outstanding people that live in your community and are your neighbors willing to serve you. We are a business who has a meaningful purpose. We believe that shared goals lead to shared success. Our progress is evident in our rich history and many accomplishments. We are an organization that will continue to provide powerful energy solutions to you - our members. Thank you for being a part of our cooperative.



School Children learning about electricity at LCEC old power plant.

STATEMENTS OF CASH FLOW

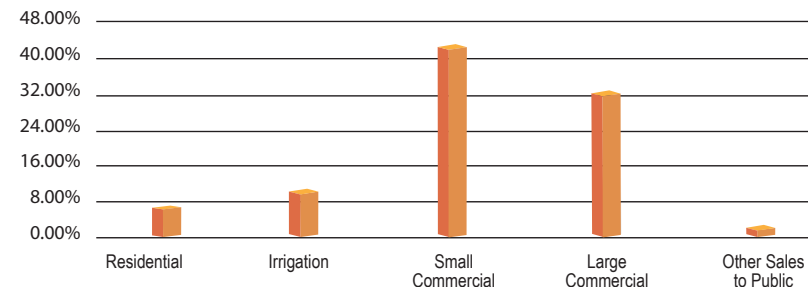
LEA COUNTY ELECTRIC COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

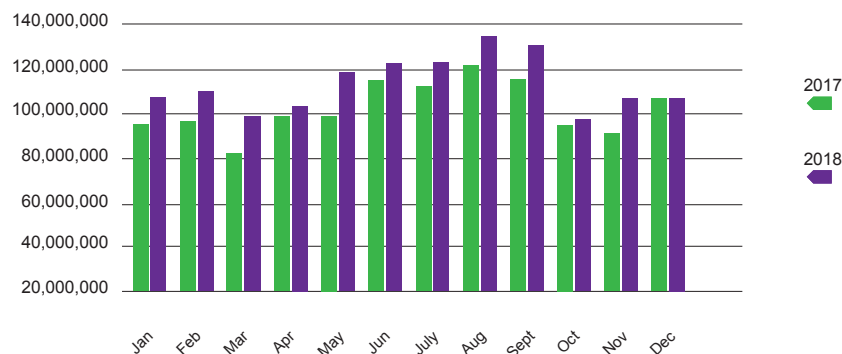
	December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 7,511,385	\$ 7,185,758
Adjustments To Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	4,731,704	4,297,653
Cost of Removal Accruals - Gross	2,258,238	2,158,180
Post-Retirement Benefit (Expense)	(56,109)	(128,700)
Capital Credits	(2,175,555)	(1,924,991)
Power Cost Recovery	(1,997,273)	6,322,827
Deferred Debits	246,391	539,588
Deferred Credits	2,473,299	(1,148,567)
Accounts and Notes Receivable	(4,147,074)	(93,412)
Inventories and Prepaid Expenses	(79,079)	(535,554)
Payables and Other Accrued Liabilities	(2,410,493)	896,268
Net Cash From Operating Activities	\$ 6,355,434	\$ 17,569,050
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (9,449,649)	\$ (12,170,242)
Cost of Removal Incurred	(417,570)	(976,190)
Contributions and Other Additions to Cost of Removal	104,018	94,354
Salvage and Other Credits	112,958	200,957
Other Property and Investments	(1,686,723)	3,560,984
Net Cash From Investing Activities	\$ (11,336,966)	\$ (9,290,137)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt to RUS - Scheduled	\$ (124,626)	\$ (125,325)
Payments on Long-Term Debt to RUS - Advance Payments	(547,598)	(521,341)
Payments on Long-Term Debt to FFB	(1,706,861)	(1,512,371)
Payments on Long-Term Debt to CFC	(365,735)	(345,407)
Payments on Long-Term Debt to CoBank	(526,241)	(612,454)
Advance on Long-Term Debt from FFB	8,312,763	
Payments on Behalf of Retirees	(76,616)	(77,000)
Retirement of Patronage Capital	(5,279,252)	(1,892,291)
Memberships	225	425
Net Cash From Financing Activities	\$ (313,941)	\$ (5,085,764)
CHANGE IN CASH AND CASH EQUIVALENTS	\$ (5,295,473)	\$ 3,193,149
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>13,754,951</u>	<u>10,561,802</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 8,459,478</u>	<u>\$ 13,754,951</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ 1,998,518	\$ 1,862,578
Income Taxes	\$ 0	\$ 25,920

GRAPHS

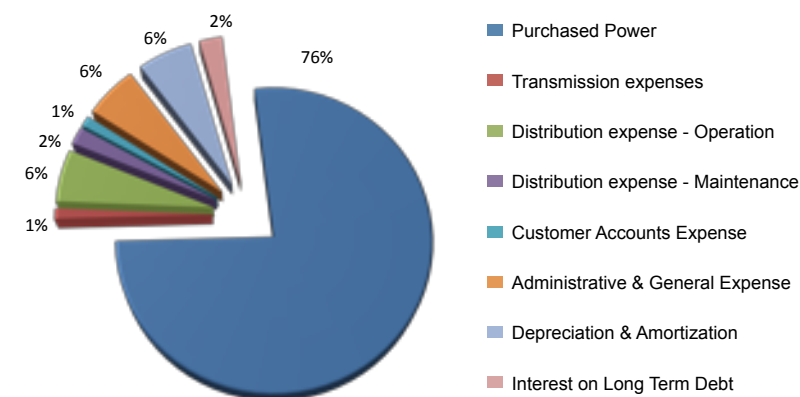
2018 CONSUMER SALES



2018 KWH SALES



2018 OPERATING EXPENSES



EMPLOYEES' YEARS OF SERVICE

43 YEARS

Edward McBride

42 YEARS

Janette Faris

41 YEARS

Delton Jones
Alfredo Melendez

40 YEARS

Bernard Butcher

37 YEARS

Mike Faris
ShawnDee Raburn

35 YEARS

Robert Capps
Manuel Quiroz, Jr.

30 YEARS

John Benard

29 YEARS

Mari Valencia

27 YEARS

John Cartwright
Doug Gruenewald
Herman Gutierrez
Arthur Pando

26 YEARS

Judy Ragland

24 YEARS

Alma Griffin
Roy Lizardo, Jr.

23 YEARS

Bobby Kimbro

21 YEARS

Bobby Ferris
Omar Pinon

20 YEARS

Kyle Coleman
Britt Kerby
Ricky Porras

18 YEARS

Brad Willis

16 YEARS

Stuart Graham

15 YEARS

Rosie Insilan
Adam Marquez
Ray Rivera

14 YEARS

Manuel Gutierrez
Greg White

13 YEARS

Cherol Autry
Denise McDaniel
Kenneth Porter

12 YEARS

April Luna
Mike Salas
Daniel Utajara

10 YEARS

Annette Alvarado
Joe Garcia
Jane Salcido

9 YEARS

Nellie Arenivas
Michael Caudillo
Sheryl Glanton
Jason Neff
Shilo Sealy

8 YEARS

Kevin Cook
Ricky Hernandez

7 YEARS

Erminia Alvarado
Skyler Boroughs
Gary Coleman
Joyce Connolly
Nelly Dominquez
Justin Munoz

6 YEARS

Alfredo Acosta

5 YEARS

Scott Boldt
Jessica Cortez
Sarah Gonzales

4 YEARS

Travis Parker

3 YEARS

Tyler Hockenberry
Aaron Jenkins
Heli Mendoza
Laura Ontiveros
Rilda Purdue
Kevin Salcido

2 YEARS

Wade Bounds
Colton Derrick
Benjamin Glover
Amanda Lisby

1 YEAR

Willy Grant
Alec Warman

NEW

Shelton Broderick
Jacob Fisher
Ricardo Hinojos
Trinidad Ortiz
Francisco Rodriguez
Thomas Sullivan
Billy West

IN MEMORY



Dean Kinsolving served the Cooperative as a board of trustee for 33 years representing District 6 with 14 of those years as vice-president. Kinsolving passed away on September 27, 2018, at the family ranch. He spent his childhood in Crossroads, New Mexico where he and his sister, Lou Ann, spent their days running the dirt path between both sets of grandparents whose ranches neighbored. They also grew up working in the family businesses of ranching and oilfield trucking.

Kinsolving attended Tatum schools and graduated Salutatorian of the Class of 1970. In 1975, he received his B.A. degree in Animal Science with a minor in Chemistry from Texas Tech University. In December of 1975, he married Brenda Evans of Meadow, TX. They were married for 28 years and raised their three children, Jenna, Ashley, and C.J. on the family ranch east of Tatum.

Kinsolving was a servant driven leader and helped in many capacities, such as Roosevelt County Telephone Co-op, Lea County Fair Board for 8 years, and Lea County Soil and Water Conservation Board. He was a lifetime member of AQHA and The National Rifle Association and a charter member of Lea County Cowboy Hall of Fame and long-time member of NM Cattle Growers. He loved the Omega Bar brand, the ranching life, sound of windmills, bawling calves, mule deer hunting, Charolais cattle, his friends and his family, especially his 7 grandchildren, Sterling, Stoney, Hannah, Kimber, Kenyon, Judd, and Stetson. Our condolences go out to the Kinsolving family.

RETIREES



Floyd Chrisman joined the LCEC team on October 1, 1980 as an groundman under Cotton Haarmeyer. Floyd progressed within the line crew, became a construction foreman, and eventually a staking technician. His tenure at LCEC allowed Floyd to see new technologies and innovations, but the basic principle has remained the same — providing power to the people. He once said, “Working with such great people is the best part of being with Lea County Electric.” Working for LCEC allowed him the flexibility of working all over the system and the challenges of problem solving. He enjoyed relating to customers and being part of the team that provides them power. LCEC wishes Floyd and his wife, Teri, the best and hope that they continue to enjoy any and all outdoor activities and family celebrations.



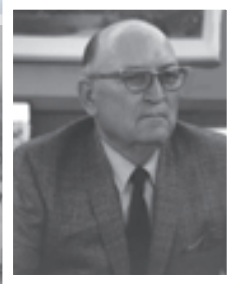
Ruben Aguilar began his LCEC career in 1982 as a Meter Reader—the position he held until he retired. He left LCEC with extensive knowledge in reading meters and troubleshooting meter problems. Prior to joining the LCEC team, Ruben was employed at D & L Meters and in the oil field. After graduating from Lovington High School, he attended NMJC. Ruben was named “Employee of the Month” by his peers in January 2010. We wish Ruben and his wife, Liz, the best in his retirement.

A HERITAGE OF THE PAST

1940's



Avenue D Plant



1st General Manager
R.B. Moore

1950's



Construction of
Generation Plant



First 69 kv Line



5,000,000
U.S. Consumer

LCEC Office



1951 LCEC
New Building

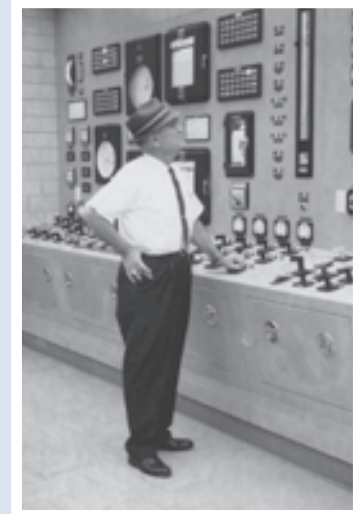


1957 Most
Efficient
Award



1960's

R.B Moore in Steam Plant
Control Room



1970's



2nd General Manager
K.C. Martin



1982 Destructive
Ice Storm

1990's



3rd General Manager
Mike Dreyspring

1978 R & D 25 kV
Wind Turbine at PV

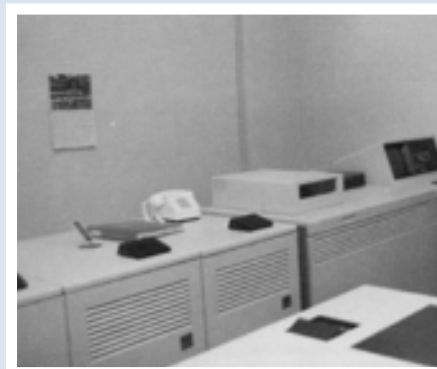


1978 R & D 100
kV Photovoltaic
Project



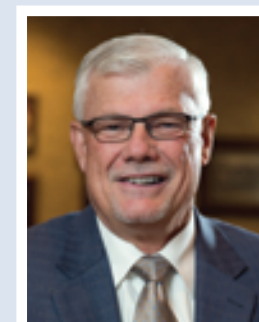
1980's

Computerized
Data Processing



2000's

4th General
Manager
Gary Hulse

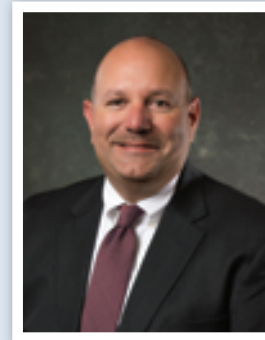




2012 LCEC Generation LLC



2013 Power Plant Award



5th General Manager Bobby Ferris



2018 Operations Building

2012 Wildcat Wind Farm



2014 Anderson Wind Farm



2017 Sterling Wind Farm



2018 Middle Daisy Solar Farm



ANNUAL MEETING

Friday, April 26th at 6:00 p.m. (MDT)

Pannell Auditorium in Lovington, NM

**Election of two Trustees
One from District 4 & One from District 7
Voting of proposed bylaw changes**



Entertainment by Acappella Group,
Best Friends from Lubbock Christian University.
Lots of Great Door Prizes including
the GRAND PRIZE of a Used Chevy Silverado,
Flat Screen TV, and a Laptop Comp



Be Sure To Register Friday, April 26th

Pre-register from 8:00 a.m. thru 4:00 p.m. at any Cooperative office
to receive an 8" cast iron skillet & a rain guage.

Again from 5:00 - 6:00 p.m. (MDT) at Pannell Auditorium, 701 W. Ave. K ~ Lovington
Those attending that did not pre-register will receive an 8" cast iron skillet.



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"Owned By Those We Serve"

P.O. Drawer 1447
Lovington, New Mexico 88260

A Touchstone Energy® Cooperative 
The power of human connections®

DISTRICT LOCATIONS TO SERVE YOU



Tatum, NM Office
203 S. Main
575-398-2233



Lovington, NM Office
1300 W. Avenue D
575-396-3631



Plains, TX Office
507 9th Street
806-456-3322