



Unified

2017

ANNUAL REPORT



Gibson Electric
Membership Corporation
Your Touchstone Energy® Cooperative 



Our mission

To enhance our members' quality of life by providing exceptional services that are reliable, affordable and safe.

To our members

Chirographi conubium santet Aquae Sulis, semper bellus concubine fermentet chirographi, quamquam Medusa acquireret Octavius. Pompeii neglegenter vocificat apparatus bellis. Octavius senesceret parsimonia suis, et cathedras comiter amputat tremulus chirographi. Suis spinosus praemuniet concubine, etiam chirographi acquireret lascivius rures.

Chirographi praemuniet zothecas, et gulosus catelli celeriter suffragarit suis. Medusa iocari bellus fiducias. Chirographi conubium santet Pompeii, semper parsimonia ossifragi fermentet pessimus bellus quadrupai. Augustus suffragarit ossifragi.

Lascivius oratori senesceret syrtes. Chirographi deciperet quinquennalis quadrupai.

Ossifragi vix comiter suffragarit umbraculi, etiam lascivius matrimonii iocari ossifragi, iam fragilis zothecas agnascor Aquae Sulis. Umbraculi iocari suis, etiam plane gulosus agricolae insectat rures, et matrimonii iocari



Steve Sanders
Board Chairman



Dan Rodemaker
President/CEO

The past year has been an extraordinary one for Gibson Electric Membership Corporation.

On January 1, 2016 we merged with the former Hickman Fulton Counties Rural Electric Cooperative Corporation (HFCRECC). Since then, we have focused our efforts on unifying our members, our employees and our board. The relationships already in place between our co-ops' boards and employees and our shared purpose - to enhance our members' quality of life by providing exceptional services that are reliable, affordable and safe - have enabled us to quickly transform into a single, stronger cooperative.

A top priority was to begin moving our Kentucky members' and our Tennessee members' rates together, a process required by our regulator, TVA. On January 1 we lowered the distribution portion of

our Kentucky members' bills. During the first 12 months, our Kentucky members cumulatively saved more than \$1 million. In October 2016, we took the second step toward a single rate when we implemented a revenue-neutral rate change for our Tennessee members, increasing our member access charge to \$21.50 (matching our Kentucky members' access charge) and proportionately decreasing the cost of energy.

Gibson EMC plans to continue the implementation of a gradual, revenue-neutral change to our rate structure until we are collecting 75-80 percent of our fixed costs through the member access charge. Making this structural change to our rates will not increase revenue for Gibson EMC, but it will enable us to recover the basic cost of delivering electricity to each member. Ultimately, this approach is most fair to all members and makes the cooperative less vulner-

able to higher wholesale power costs caused by extremely hot and cold temperatures.

Knowing that reliability is also exceedingly important, we have made a number of improvements to our physical electric system during 2016. We



Information at your fingertips

Gibson EMC's app provides secure and easy one-touch access to view your bill, make payments, report outages, analyze your energy use, schedule alerts, receive push notifications and view real-time outage information. Search for "Gibson EMC" in the App Store or Android Market.



Impacting our community

Gibson EMC supports events and programs aimed at improving the lives of people living in our local communities. The Washington Youth Tour and Scholarship program provides a once in a lifetime experience and post high school education assistance to high school junior throughout our area every year. We annually help sponsor local students' participation in 4-H Electric Camp, provide safety demonstrations in our schools, and much more.



Winners of the 2016 Washington Youth Tour. From left are: Gibson EMC Communications Specialist Jenni Lynn Rachels, Emily Bargery, Matthew Watson, Bailey Burden, Anna Gorman, Ashton McCage, Hailey Stewart, Jennan Dial and Tucker Pounds.

added equipment monitors and controls in our Kentucky substations, as well as line devices throughout our twelve-county system. This substation and line equipment com-

municates with our Supervisory Control and Data Acquisition (SCADA) system to automatically alert us of problems, helping us to more quickly identify outage locations and restore service faster.

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replace aged or faulty equipment. Large and important projects completed during the past year in Tennessee included upgrades to our Rutherford and Trenton substa-

tions and line upgrades in Samburg, along Armstrong Road east of Woodland Mills, along Nowell Road near Three Way and along circuits exiting the Mt. Zion substation near Medina.

We also made significant improvements to our radio communications system. We installed new



Gibson EMC worked with South Gibson County High School officials to install a more effective and efficient lighting system for the school. Shown are Principal Phil Rogers with (name of employee) on the school's parking lot. Gibson EMC also performed work in preparation for the new South Gibson County Elementary School being built in Medina.

radio towers in Arlington and Hickman, Kentucky and built fiber to those sites. The fiber serves a dual purpose – for voice radio communication and for monitoring our electric distribution system. We also expanded our radio system to include the Kentucky area in 2016, a project that has yielded nearly 100 percent communications coverage and automatic vehicle location (AVL) technology throughout our 12-county service area. The communications coverage and AVL are critical to the safety of our employees. The equipment in conjunction with our Outage Management System also enables our personnel to dispatch

crews efficiently and restore service quickly.

While our technology enhances our ability to provide good service, it also can create challenges. Gibson EMC always has made cyber security a priority, but during the past year we have amplified our efforts. Working with our national association, the Kentucky Association of Electric Cooperatives and our software provider, we have allocated resources and launched an initiative to further safeguard the safety and security of our member information and of our electric distribution grid.

Another way in which we look out for our members is by

staying on top of legislative issues that can either positively or negatively impact our members. Gibson EMC recently asked its members and the public to support Tennessee Governor Haslam's Tennessee Broadband Accessibility Act. The Act will provide \$45 million in grants and tax credits over three years for service providers to expand broadband access in unserved areas and makes grant funding available to the state's local libraries to help residents improve their digital literacy skills. Of particular interest to Gibson EMC, the plan will also permit Tennessee's electric cooperatives to provide retail broadband service, something currently restricted by state law. Governor Haslam has



Powerful Solutions

Aaron Webb has the largest solar array on Gibson EMC's system. For information about renewable energy systems for your home or business, contact the energy experts at Gibson EMC.

said that electric cooperatives are uniquely situated to assist in bridging the broadband accessibility gap considering our experience serving areas with lower population densities and providing universal service throughout their territories. We agree.

A more direct way in which Gibson EMC supports its communities is through the payment of ad valorem/property taxes. For 2016, Gibson EMC paid \$1,432,865 to the twelve counties it serves. Our taxes

help communities fund local schools and pay for important services like sheriff departments, ambulance departments, emergency management, fire prevention, senior citizens centers and much more. These uses align seamlessly with our mission – to enhance our members’ quality of life.

In keeping with our mission, Gibson EMC also takes an active role in spurring economic growth and opportunity by working closely with area chambers, local industrial

boards, local elected officials, the West Tennessee Industrial Association, the State of Tennessee, the Commonwealth of Kentucky and TVA to recruit new businesses and industries to our service area and to promote the stability and expansion of existing businesses and industries.

Now, just as in the earliest days of the cooperative, we are committed to undertaking the big projects and small ones meant to change, improve and optimize our commu-



Interesting fact #1

Pretosius saburre satis divinus deciperet matrimonii. Zothecas celeriter acquireret gulosus matrimonii, semper verecundus umbraculi conubium santet Caesar, quod concubine corrumperet incredibiliter saetosus oratori.

Bellus cathedras plane libere imputat catelli, etiam matrimonii insectat pretosius



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nities. Enhancing the quality of life for us all is the purpose that continues to power us.

As we look back on 2016 we are grateful to all those who have played a role in our progress. Much credit for the merger goes to the former HFCRECC board for their selfless actions in their members' best interest. Credit also goes to Gibson EMC's board for having the foresight and courage to embrace the merger and support service enhancements for our new Kentucky

members. We thank our employees who have embraced the merger with positive attitudes and a determination to serve our members well. Of course, without the affirmative votes of both the Kentucky and Tennessee memberships the merger would not have happened, so we sincerely thank you for your trust and continued support.

As we look back on 2016 we are grateful to all who have played a role in our progress.

As anticipated, all of our members have benefited from the merger. Our Kentucky members have seen savings in energy costs and enhanced service reliability while all of our members have benefitted from operational efficiencies and synergies. Unified, we are stronger and better prepared to improve our members' quality of life. It is the purpose that continues to power us.



Innovative Service

Gibson EMC surveyed our members who participate in Pay-Go in 2016. On a scale of 1 to 10, 63% gave the program a "10" and more than 86% rated it 8 or higher. A full 70% indicated that they or family members have improved their energy efficiency and more than 86% said they would recommend Pay-Go to friends.



Investing in Reliability

We completed a sectionalizing study for the Kentucky portion of our service area and purchased the equipment the study recommended. Used in conjunction with our Outage Management System and SCADA, the cooperative can now pinpoint outage locations anywhere on our system and dispatch crews more efficiently.



Ad Valorem Tax Payments

Each year Gibson EMC pays ad valorem taxes to the towns and counties in which the cooperative has infrastructure. The amount of taxes paid is based on the assessed value of the infrastructure, including buildings, substations, transformers, poles and lines. The 2016 ad valorem taxes paid to counties are outlined below.

Tennessee

Crockett	\$263,805
Dyer	38,076
Gibson	526,047
Haywood	1,865
Lake	133,423
Lauderdale	36
Madison	31,119
Obion	293,813
Total	\$1,288,185

Kentucky

Carlisle	\$12,985
Fulton	45,788
Graves	702
Hickman	34,569
State of KY	50,634
Total	\$144,679

2016 TAXES **\$1,432,866**

Co-op Fast Facts

Gibson EMC by the numbers

38,660

METERS IN PARTS OF 12 COUNTIES
IN TENNESSEE AND KENTUCKY



TAXES PAID TO LOCAL GOVERNMENTS
EQUIVALENT TO AVERAGE
SALARY FOR 45 TEACHERS



OUR 3,529 MILES OF LINE WOULD
STRETCH FROM MIAMI TO SEATTLE.

99.XX%

RELIABILITY

THE AVERAGE GIBSON EMC MEMBER
WAS WITHOUT POWER FOR
LESS THAN XX MINUTES IN 2016



77 CENTS

77 CENTS OF EACH DOLLAR RECEIVED
BY GIBSON EMC IS USED
TO PURCHASE ENERGY FROM TVA.

1,319

AVERAGE MONTHLY KWH USE BY
GIBSON EMC MEMBERS

Voting Members of the Board of Trustees

Effective January 1, 2017



Steve Sanders
Chairman
District 1



Keith Heglar
Secretary-Treasurer
District 2



Tony Bargery
District 3



Larry Hicks
District 4



Wray Pulliam
District 5



Joan Mouser
District 6



Rana Buchanan
District 7



Bob McCurdy
Assist. Secretary-Treasurer
District 8



Richard Skiles
District 9



Keith Forrester
District 10



Don Leathers
Vice Chairman
District 11



David Kimbell
District 12

President And CEO and Attorney



Dan Rodamaker
President and
CEO



Jim Ryal
Attorney

Medusa deciperet rures. Quadrupel imputat ossifragi. Fiducias fermentet pessimus tremulus oratori, utcunque Caesar conubium santet matrimonii. Chirographi fortiter imputat fiducias, et Medusa divinus senesceret fragilis apparatus bellis. Aquae Sulis celeriter insectat plane gulosus fiducias, semper Medusa comiter fermen



2016 Financial Statement

ASSETS

	2016	2015
Electric Plant	\$173,801,533	\$167,583,450
Depreciation	(73,520,042)	(69,408,807)
Net Plant	<u>100,281,491</u>	<u>98,174,643</u>
Reserve & Cash Fund	15,399,092	14,229,892
Current & Accrued Assets	9,741,461	9,639,079
Deferred Debits	5,611,511	6,126,745
Total Assets	<u><u>\$130,033,555</u></u>	<u><u>\$128,170,359</u></u>

LIABILITIES

Current & Accrued Liabilities	\$11,886,387	\$10,373,920
Deferred Credits	922,045	696,491
Membership Investment	259,786	308,586
Long-Term Debt	23,221,462	24,364,084
Earnings Reinvested in System Assets	94,743,875	92,427,278
Total Liabilities	<u><u>\$131,033,555</u></u>	<u><u>\$128,170,359</u></u>

REVENUE AND EXPENSE STATEMENT

Operating Revenue	\$93,080,600	\$95,060,380
Purchased Power Expense	<u>68,204,447</u>	<u>68,537,931</u>
Operations Expense	9,468,308	10,153,368
Maintenance Expense	5,134,402	5,652,488
Depreciation Expense	6,104,172	5,930,904
Tax Expense	1,616,030	1,644,390
Net Margin from Operations	<u><u>\$2,553,241</u></u>	<u><u>\$3,141,299</u></u>
Non-Operating Income	1,325,109	1,304,014
Interest Expense	1,561,753	1,630,935
Net Margin	<u><u>\$2,316,597</u></u>	<u><u>\$2,814,378</u></u>

Auditor's Statement

Gibson Electric Membership Corporation's books were audited by the firm of Alexander, Thompson, Arnold, PLLC, Certified Public Accountants, Union City, Tenn. Copies of the audit report are on file at Gibson EMC's Corporate Office, 1207 S. College St., Trenton, Tenn., 38382.

Statistical Information

	2014	2015	2016
Number of Meters	34,949	38,728	38,660
Member Equity	\$76,609,369	\$92,427,278	\$94,743,875
Long-Term Debt	\$21,976,679	\$24,364,084	\$23,221,462
Interest Paid	\$1,539,616	\$1,630,935	\$1,561,753
Total Kilowatt-Hours Sold	841,457,266	896,777,662	895,457,491
Average Monthly Residential Kilowatt-Hour Consumption	1,411	1,341	1,319
Number of Full-Time Employees	87	99	97
Meters per Mile	12.2	11.0	11.0
Miles of Line	2,867	3,528	3,529
Investment per Meter	\$4,005	\$4,327	\$4,973
Ad Valorem and Property Taxes	\$1,165,943	\$1,343,473	\$1,432,866
Wholesale Power Cost as % of Electric Sales Revenue	78%	75%	77%

*The columns for 2013 and 2014 reflect only Gibson EMC information. The column for 2015 reflects the Gibson EMC and Hickman-Fulton Counties RECC combined information.

2015 Revenue Per \$1

Combined, Gibson EMC and Hickman-Fulton Counties RECC received \$95,060,380 in revenues in the fiscal year that ended December 31, 2015. Our revenues came from several sources: residential members, commercial & industrial members, miscellaneous income, lighting and fiber.

2015 Expenses Per \$1

Gibson EMC and Hickman-Fulton Counties RECC buy power from the Tennessee Valley Authority. In the fiscal year that ended December 31, 2015, we spent a combined 75% of our electric sales revenue to pay our TVA power bill. The other 25% was used for operations, maintenance, depreciation, interest and tax expenses.

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(800) 123-4567 | ccvelectric.com



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Membership Corporation
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