

POWER & OPPORTUNITY

2018

ANNUAL REPORT



Gibson Electric
Membership Corporation
® Your Touchstone Energy® Cooperative 



GIBSON
CONNECT™

To Our Members...



Steve Sanders
Chairman of the Board
Gibson EMC and
Gibson Connect, LLC



Daniel Rodamaker
President and CEO
Gibson EMC and
Gibson Connect, LLC

Gibson Electric Membership Corporation is your local, not-for-profit, member-owned and member-controlled electric cooperative. Our purpose is to serve our members and our communities. In this 2018 Annual Report we will share with you our recent accomplishments, our challenges and our commitment to community.

Highlights include a continued investment in our electric infrastructure to enhance service reliability and the launch of Phase I in our fiber-to-the-home build-out. Both are essential to a high quality of life and provide opportunity for our members and our communities.

We also provided opportunities to our local young people through the Washington Youth Tour trip and scholarship program, the Kentucky Youth Tour and the Tennessee Youth Leadership Summit.

Our employees donated more than 1,000 pounds of non-perishable food items to our communities' food banks in 2018, bringing the cumulative total to 5,524 pounds contributed since 2009. Our employees and board members also individually invested in our communities through volunteerism and service on local committees and boards.

Whether we're hosting a meeting to update you on your cooperative's business, helping our youth to reach their full potential or serving alongside you at a community event, you can rest assured that we are not only committed to providing you with safe, reliable and affordable electric service, but also to being a good friend and neighbor.

Steve Sanders *Daniel Rodamaker*

Power & Opportunity

Every day the Gibson Electric Membership Corporation board of trustees and employees strive to deliver on our mission: to enhance our members' quality of life by providing exceptional services that are reliable, affordable and safe. Meeting our member-owners' wants and needs for electric power is critical, but it's only part of what we do. We also provide opportunity and we are ever evolving to meet the needs of our members and our communities.

Affordability

In October of 2018, we completed the process of merging with the former Hickman-Fulton Counties Rural Electric Cooperative Corporation when we aligned our rates. In the last three years since the merger, our former Hickman-Fulton Counties RECC members have saved over \$3 million.

We are very aware of the need to provide affordable service to our members. For this reason, Gibson EMC conducted a cost-of-service study which was performed by an outside consultant in 2018. We do this from time to time to clearly understand the true cost of providing service within each rate class of members and to ensure that our rates are fair and equitable.

Safety

We also are committed to ensuring the safety and security of our member information. To this end, we installed new data storage arrays in diverse locations during 2018. This additional storage provides vital redundancy and a higher level of data protection for our members.

Keeping our members and our employees safe is also mission critical. We regularly present safety demonstrations for our

schools and civic groups. We also continuously emphasize safety practices to our employees. We are proud and thankful that our Alamo, Hickman, Tiptonville, Trenton and Corporate Member Service Center employees all completed 2018 without a lost-time injury.

Reliability

Service reliability is another high priority for Gibson EMC and our members. Rebuilding the Trenton substation was a large project we completed in 2018 that was necessary to enhance service reliability for members in and around Trenton.

During the past year Gibson EMC also prepared, submitted, and had approved its 2019-2022 construction work plan. The most significant projects within the work plan are the construction of a new substation in the south Medina area and the rebuilding of the



"The construction work plan is important for Gibson EMC as we plan for growth on the system. It helps us identify trouble spots and determine cost-effective remedies to ensure continued service reliability for our member-owners."

Barry Smith | Gibson EMC VP of Engineering and Operations

Alamo substation, along with Phase I and Phase II of the fiber buildout. Other projects included are upgrades to our Polk, Ridgely and Pierce substations. Within this four-year work plan, we also will convert some areas in Kentucky to 25kV to improve service reliability.

Fiber will continue to be used for communications between our member service centers and substations. It also will expand use of our Supervisory Control and Data Acquisition system; and allow us to provide members with more detailed information on energy use. Specifically, it will enable us to better pinpoint outages, restore service more quickly and operate more efficiently. Additionally, extending fiber will enable us to better monitor transformers, regulators, reclosers, capacitor banks, automated metering infrastructure, power quality, high voltage and line temperatures. It also will empower us to better control system load and monitor distributed energy resources like solar and wind, as well as energy

storage. On top of the many ways fiber will improve electric service to all members, it also will benefit those who want to purchase high-speed, fiber-based internet service from Gibson Connect, Gibson EMC's wholly-owned, not-for-profit subsidiary.

Broadband

In 2018 Gibson EMC completed a 40-GIG ring connecting all of our member service centers to strengthen our internal communications and our ability to remotely monitor and control our electric system. The fact that there are redundant communications paths to each member service center reduces the likelihood of communications service disruptions. It also provides a strong backbone for our fiber-to-the-home offerings.

Carlisle County High School students Abbi Jewell, left, and Mylinda Turner, right, attend the 2018 Kentucky Youth Tour with Gibson EMC Key Accounts Representative Cynthia McClure. Gibson EMC also sponsors students on the Tennessee Youth Leadership Summit and 4-H Electric Camp.



For years our members have been urging us to help provide access to high-speed internet service, so as soon as the Tennessee Broadband Accessibility Act passed in 2017, we formed Gibson Connect, our wholly-owned, not-for-profit subsidiary. Knowing that building a fiber-to-the-home system across almost 3,100 miles of line would be a massive and time-intensive project, and because we are committed to do the buildout in a fair and financially sound way, we decided to use a web-based participation system to guide the order of our buildout. Join.gibsonconnect.com, was launched October 10, 2017.

On January 26, 2018, Medina became the first zone to hit its participation goal. Dyer and Three Way soon followed. These zones and the area covered by a \$1.3 million Tennessee Broadband Accessibility Grant (in Ridgely, Tip-tonville and Samburg) are

included in Phase I of our fiber-to-the-home buildout.

Phase I work began with consultants starting engineering design in the spring; and middle-mile aerial construction began in August. We've experienced some delays due to problems with consultant engineering design and record-setting rainfall, but we have continued to push the buildout forward as fast as we can; and those members we have connected absolutely love the service from Gibson Connect!

Pat Chaney Lykins of Three Way posted to our Gibson Connect Facebook page, "We just got connected today! The service is very fast. We are really excited to have Gibson Connect and are looking forward to having the television service. Thank you Gibson Connect for caring and doing such great work."



Gibson Connect has been a great tool for our family-owned business. It has lived up to our expectations by allowing us to work faster and more efficiently.

Tony Kirk, Owner
Jennifer Kirk Browning, Bookkeeper

Highway 54 Salvage and
West Tennessee Pick and Pull



"Gaining access to high-speed, fiber-based internet service will have a profoundly positive impact on the quality of our member-owners' lives and our communities. We know it's hard for our members to wait for this essential service, but we ask for your patience. The buildout is a huge project that requires a phased approach. In the end, it will be well worth the wait."

Charles Phillips | Gibson EMC VP of Technical Services and Gibson Connect VP of Operations

Our goal is to ultimately provide all of our eligible members with access to high-speed, fiber-based service, but we must use a phased approach and it will take time – probably about five years to complete the buildout.

To help move the project along and hold down costs, we are vigorously pursuing grants for those areas that qualify. So far, we have been awarded a \$1.3 million Tennessee Broadband Accessibility Grant and \$1.22 million in CAF II

funding for areas in Tennessee and in Kentucky. Recently we also applied for two more Tennessee Broadband Accessibility Grants for Gadsden and northern Obion County; and we plan to apply for low-interest loans or grants through the USDA Rural Utilities Service when they become available.

This is an exciting time for our members. Access to this essential service will improve educational opportunities, help create jobs,

enable our existing industry to better compete and help attract new industry.

Community

We appreciate hearing from you. Since our inception, our members' feedback and engagement has guided our long-term decisions. This is why we hold annual meetings and member appreciation events each year. We value your perspective and that of our board members – the rep-

In honor of Arbor Day, Gibson EMC plants trees each year in our service area. This year we planted trees on South Gibson County Elementary School's new campus in Medina.



representatives you elect and who also are members of our co-op and communities.

As a hometown member-owned business, we have a real stake in our communities. That's why we partner each year with CoBank, a national cooperative bank with whom we do business, to provide a total of \$10,000 in Sharing Success grants to 501(c)3 nonprofits in our area who share our commitment to improve the quality of life for those in our service area. In 2018, we contributed \$3,500 to the Obion County Senior Center Association, \$3,000 to the Arts Council of Crockett Tennessee and \$3,500 to the Friends of the Tiptonville Library. Our Kentucky members also have helped others in the area through our Change for the Community program in which members can opt in to round up their electric bills to the next dollar. The Change for the Community Committee recently presented \$8,000

to 501(c)3 nonprofit organizations in our Kentucky service area. We're working on expanding this wonderful program to our Tennessee communities.

Driven by a deep commitment to provide opportunity for our member-owners and our communities, Gibson EMC actively supports area Chambers of Commerce throughout our 12-county service area in job creation and economic development efforts. Additionally, our youth programs are designed to educate and inspire the next generation of community leaders. Even the taxes we pay and the jobs we provide have an impact.

Each year Gibson EMC sends local students who write winning short stories on the Washington Youth Tour. These students learn about electric co-ops and grassroots political advocacy, and the trip winners tour our nation's capital and make friends and memories that



Gibson Connect lets me download a 2-hour and 13-minute HD movie in 1 minute and 41 seconds. Fast service and the installer was very courteous. He made sure it was done right.

Donald Hubbard, Member
Three Way, TN



"Our Tennessee Electric Co-op Day of Service project was truly rewarding. Our employees generously donated nonperishable food items to the Lake County Schools' Backpack Buddies program. The bed of our service truck was overflowing and the school personnel were very appreciative."

Emily Sullivan | Gibson EMC VP of Economic Development and Community Relations

Ad Valorem and Property Tax Payments

Each year Gibson EMC pays ad valorem and property 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 2018 ad valorem and property taxes paid are outlined below.

Tennessee

Crockett	\$292,428.66
Dyer	41,862.00
Gibson	538,202.20
Haywood	2,594.26
Lake	163,631.00
Lauderdale	23.00
Madison	32,328.00
Obion	339,773.43
Total	\$1,410,842.55

Kentucky

Carlisle	\$14,944.35
Fulton	57,932.36
Graves	913.50
Hickman	52,362.05
State of KY	62,085.99
Total	\$188,238.25

2018 TAXES **\$1,599,080.80**

will last a lifetime. Scholarships also are available for members' children who participate.

By pooling our change to help those who are less fortunate, joining together to recruit jobs to our communities, reinvesting in our

electric infrastructure, and building a broadband system to provide an increasingly intelligent electric grid and access to high-speed internet service, Gibson EMC is working to provide our member-owners power *and* opportunity.



Gibson Connect Network Technician Taylor Coomer and Gibson EMC GIS Technician Rachel Cates register a member for high-speed internet service at Gibson EMC's member appreciation event in Medina.



"I love working for Gibson EMC because of its commitment to service. We are here to meet our members' wants and needs. Whether we are providing electricity or high-speed internet service, our members should know by the way we treat them that we truly care."

Rita Alexander | Gibson EMC VP of Human Resources and Member Services

Members of the Board of Trustees



Steve Sanders
Chairman
District 1



Keith Heglar
Vice Chairman
District 2



Tony Bargery
District 3



Larry Hicks
District 4



Wray Pulliam
District 5



Joan Mouser
District 6



Rana Buchanan
District 7



Bob McCurdy
Asst. Secretary-
Treasurer
District 8



Richard Skiles
Secretary-Treasurer
District 9



Keith Forrester
District 10



Don Leathers
District 11



David Kimbell
District 12

President and CEO & Attorney



Dan Rodamaker
President and CEO



Randy Camp
Attorney

Advocacy is another way that Gibson EMC advances opportunity for our members. Because our elected officials make decisions that can have a significant impact on our co-op and our communities, we engage with them so they understand how potential legislation can positively or negatively affect you. Gibson EMC Board Chairman Steve Sanders, right, greets Governor Bill Lee as he arrives at the 2019 Tennessee Electric Cooperative Association Legislative Reception.



2018 Consolidated Financial Statements

(The Consolidated Financial Statements include the operations of Gibson Electric Membership Corporation and of Gibson Connect, LLC.)

ASSETS

2018

Electric Plant	\$188,968,636
Depreciation	(80,165,776)
Net Plant	108,802,860
Reserve & Cash Fund	6,409,853
Current & Accrued Assets	15,833,128
Deferred Debits	5,385,384
Total Assets	\$136,431,225

EQUITIES & LIABILITIES

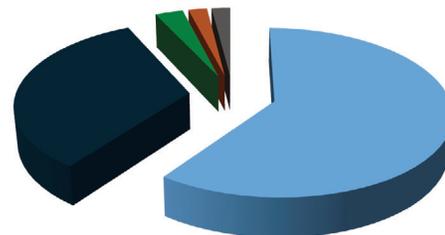
Current & Accrued Liabilities	\$11,526,339
Deferred Credits	1,423,608
Membership Investment	261,181
Long-Term Debt	20,020,330
Earnings Reinvested in System Assets	103,199,767
Total Equities & Liabilities	\$136,431,225

REVENUE AND EXPENSE STATEMENT

Operating Revenue	\$98,836,981
Purchased Power Expense	71,476,666
Operations Expense	10,461,572
Maintenance Expense	5,128,579
Depreciation Expense	6,745,547
Tax Expense	1,901,714
Net Margin from Operations	\$3,122,903
Non-Operating Income	1,344,048
Interest Expense	1,438,337
Net Margin	\$3,028,614

2018 Revenue Per \$1

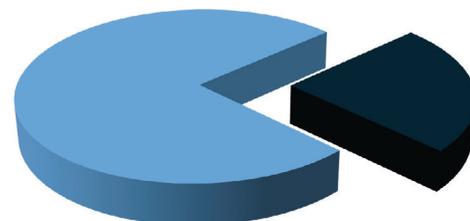
Gibson EMC received \$98,836,981 in revenues in the fiscal year that ended December 31, 2018. Our revenues came from several sources: residential members, commercial & industrial members, miscellaneous income, lighting and fiber.



Residential Members: 60¢
 Commercial & Industrial Members: 33¢
 Lighting: 3¢
 Miscellaneous Income: 2¢
 Fiber: 2¢

2018 Expenses Per \$1

Gibson EMC buys power from the Tennessee Valley Authority. In the fiscal year that ended December 31, 2018, we spent 76% of our electric sales revenue to pay our TVA power bill. The other 24% was used for operations, maintenance, depreciation, interest and tax expenses.



Purchased Power from TVA: 76¢
 Operations, Maintenance, Depreciation, Interest & Tax Expenses: 24¢



“Being a member-owned and member-controlled business, we are especially committed to keeping our rates as affordable as possible. We thoroughly scrutinize our costs each year as we prepare our budget. We also are taking steps to control our write-offs. Through our deposit policy and our Pay-Go program, we’ve reduced our bad debts significantly, saving our membership about \$300,000 annually.”

Richard BeDen | Chief Financial Officer

Statistical Information

	2016	2017	2018
Number of Meters	38,660	38,696	38,741
Member Equity	\$94,743,875	\$100,171,153	\$103,199,767
Long-Term Debt	\$23,221,462	\$21,452,832	\$20,020,330
Interest Paid	\$1,561,753	\$1,511,304	\$1,438,337
Total Kilowatt-Hours Sold	895,457,491	857,961,425	929,890,547
Average Monthly Residential Kilowatt-Hour Consumption	1,319	1,241	1,418
Number of Full-Time Employees	97	97	104
Meters per Mile	11.0	11.0	11.0
Miles of Line	3,529	3,529	3,514
Investment per Meter	\$4,973	\$4,599	\$4,878
Ad Valorem and Property Taxes	\$1,440,441	\$1,570,209	\$1,599,081
Wholesale Power Cost as % of Electric Sales Revenue	77%	76%	76%

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 will be on file beginning July 1, 2019 at Gibson EMC's Corporate Office, 1207 S. College St., Trenton, Tenn., 38382.

Photo at right is Line Crewleader Jimmy Williams, left, and Apprentice Lineworker Brad Stafford.



POWER & OPPORTUNITY

Opportunity isn't found. It's made. Gibson Electric Membership Corporation supports the creators, innovators, makers, dreamers and everyday Tennesseans and Kentuckians who step out, try something new and make things happen. Like you, we are working to make the communities we serve places where ideas take hold, products are crafted and opportunity is abundant.

Corporate (731) 855-4740
P.O. Box 47 | 1207 S. College St. | Trenton, TN

Alamo | (731) 696-5961
402 Egghill Rd. | Alamo, TN

Hickman | (270) 236-2521
1702 Moscow Ave. | Hickman, KY

Medina | (731) 855-4660
201 Hwy 45 E North | Medina, TN

Tiptonville | (731) 253-7181
1515 Church St. | Tiptonville, TN

Troy | (731) 536-5920
602 C.C. Gurien Drive | Troy, TN

Trenton | (731) 855-4660
1207 S. College St. | Trenton, TN

Gibson Connect | (731) 562-6000
1207A S. College St. | Trenton, TN



**Gibson Electric
Membership Corporation**

® Your Touchstone Energy® Cooperative 



**GIBSON
CONNECT™**