



Coastal Electric Cooperative 2016 Annual Report

ALWAYS AT YOUR SERVICE

2016

Year of challenges and of ACCOMPLISHMENTS

Our mission: Meet or exceed our member-owners' expectations by being an outstanding provider of energy and services.

ON THE COVER: *Apprentice lineman Brandon Harpe hooks up a temporary service in The Villages at Limerick, a new subdivision off Lake George Road in Liberty County.*



Coastal Electric:

Always at your service

2016 was an eventful year for Coastal Electric Cooperative, our service territory and our members. It was a year of challenges and of accomplishments. It was a year when, in the face of tremendous adversity, extraordinary service won the day.

The heroes of 2016 were our employees—the ones who sacrificed their time and hard work for the good of their communities, the problem-solvers, the ones who persevered. They are the ones who did their best to make 2016 a great year for the people of Coastal Georgia.

Down, but not out, after storms

The year's most unforgettable event for your cooperative was Hurricane Matthew. The most destructive storm to hit our area in recorded history, Matthew took out 96 percent of our system the first week of October and caused \$1.9 million worth of damages to the cooperative's system and equipment. An overwhelming 17,223 of our 18,002 total meter accounts were offline.

Despite the extensive damage, Coastal Electric was ready.

Hurricane Hermine, which came through our area just a month earlier, was both a blessing and a curse. Though Hermine weakened to a tropical storm before crossing our area Sept. 1, the storm caused 236 separate outages affecting 11,516 of our members—64 percent. Initial costs associated with Hermine totaled \$110,000.

Post-storm review and member feedback indicated that Coastal Electric's response was successful, though we pinpointed areas for improvement, including the need for specific equipment and a better arrangement for our Dispatch Control Center. So Hermine and Tropical Storm Julia, which moved across our area Sept. 13-14, were useful

practice runs for the bigger storm to come.

Days before Hurricane Matthew hit, Coastal employees took inventory of our supplies and equipment in anticipation of damage replacement. Before the eye of the storm even reached us, we arranged for outside crews to be on hand to repair the system. Fuel tanks were full, and food was stocked.

We maintained regular communication with our members to promote safety and keep you up-to-date about restoration efforts. All of Coastal Georgia braced for impact.

The eye of the storm reached our area Oct. 6, mangling trees, damaging homes, breaking hundreds of poles and making roads impassable.

Yet, our preparations paid off. We hit the ground running, and within five days of the first outage, our system was



Top photo: A lineman is already hard at work before dawn, taking on the tedious and dangerous task of clearing fallen limbs from power lines after Hurricane Matthew. Above photo: From left, Adam Jarrard, Bradley Mullis, Justin Martin and Clint Durrence pause from their task of changing out a broken pole, untangling wire and reinstalling transformers and switches after a tree fell in Keller. The linemen braved adverse conditions and the gusty winds of Tropical Storm Julia in September to restore members' power.

COMMITMENT



back online. Our quick restoration was a result of hard work, wise planning, smart decision-making and a driving commitment to serve the people of our community. It was the cooperative spirit in action, as crews from nine electric co-ops worked together to reclaim our members' way of life.

After Hurricane Matthew, all Coastal Engineering & Operations employees worked 18-hour shifts to efficiently and safely restore the system. With the 149 outside personnel who assisted our employees, an amazing amount of work was completed safely, with no accidents and not one near-miss—even in adverse conditions.

Culture of safety prevails

In fact, Coastal Electric boasts an excellent safety record overall. We've been safety-accredited since the 1960s, and the culture of safety continues. In 2016, our employees worked 123,919 hours—including during two tropical storms and a hurricane—without a single injury.

That's beneficial for us, of course, and for our members, too. Our commitment to safe working practices helps our employees and members stay safe, and it keeps costs low. The fewer accidents we have on the job, the lower insurance premiums we pay, which saves our members money.

Because we operate as a not-for-profit cooperative, protecting our members' interests—and remaining accountable with their money—are

constant priorities. The people who pay their money to Coastal for electricity are not just customers, but are actually members, with an ownership interest in the business.

Financial benefits of membership

One benefit of that membership involves the allocation and return of excess revenue, called margins, in the form of capital credits.

We operate at cost, collecting enough revenue to run and expand our system but with no need to raise rates to generate profits for distant shareholders. When Coastal Electric has money left over, it is allocated back to our members as capital credits. When the co-op retires, or pays, the capital credits to members in cash or as a bill credit.

In December 2016, Coastal Electric returned \$638,336.74 to members who received electricity in 1986 and 1987. An additional 201 credits were posted to accounts receiving refunds less than \$25 each. To date, we have retired \$3.6 million in capital credits to members.

We are proud to support our communities by putting money back into the local economy—and into the pockets of those we serve. It makes our business model special.

Committed to education

One avenue we use to make long-lasting investments in our community is through our students. Throughout the year, we enlighten young minds at school career days and community events. Our employees share their expertise with local science, technology, engineering, arts and math (STEAM) classes, and partner with school staff to provide what they need to take educa-



Equipment lies in a tangled mess in the Lake George community Oct. 11, compliments of Hurricane Matthew. It took three Coastal Electric linemen and five outside crews two days to clean up and restore power to the area.

TO COMMUNITY

tion to the next level.

Every year, Coastal Electric sponsors six local high school juniors as delegates on the Washington Youth Tour (WYT), a life-changing national leadership experience that challenges students to consider their roles in government and the cooperative movement, to become involved citizens and consider careers in public service. Since 1981, we have made it possible for 115 local students to participate in the WYT.

Through the Coastal Electric Cooperative Foundation in 2016, students at three local schools began applying the disciplines of science, technology, engineering and mathematics to construct an electric go-kart-style vehicle. The projects are among many similar programs supported by our members through their voluntary contributions to the foundation through Operation Round Up, a program that allows members to round up their monthly electric

bills to the next dollar. When the vehicles are complete, the students will compete in local and regional rallies, where they will demonstrate their accomplishments and skills.

The Coastal Electric Cooperative Foundation awarded \$30,000 in scholarships to local students last year. And in 2016, the foundation gave \$23,500 in Bright Ideas grants to fund local teachers' creative and innovative classroom projects that would not otherwise be funded through local school systems.

Since the Bright Ideas program's inception in 2002, more than \$245,000 has been awarded to give local teachers the power to put their creative teaching ideas into action.



Morgan Hay, a 2016 graduate of McIntosh County Academy, accepts a \$5,000 scholarship from the Coastal Electric Cooperative Foundation last spring. Hay's scholarship was one of six awarded to local students in 2016.



Foundation awarded **\$30,000 in scholarships** to local students last year.



Whitney Chappell of McIntosh County Academy displays a big check for her \$1,295 Bright Ideas grant for "A Broadcast Beginning," a project to remodel a room in the school to create a professional broadcast studio.



Students of Emma Fettes' STEM class at Richmond Hill High School present the results of their hard work to parents, school administrators and local sponsors in May 2016. Assisted by Coastal Electric and Alan Shedd of Touchstone Energy, the students took an old gas-powered kart, stripped it to a frame and rebuilt it as an electric vehicle.

RELIABILITY

A booster in economic development

Our strong commitment to community also includes economic development. We work closely with local chambers of commerce and other organizations to pursue innovative ways to meet community needs. We make a positive impact on the communities where we live—where our members' businesses thrive and families are nurtured.

We support local chambers of commerce and development authorities to aid in the retention and expansion of existing industry. We help recruit new business and industries, and we support the development of industrial parks for new manufacturers and distribution centers.

We actively develop new electrical and telecommunications infrastructure. In 2016, Coastal Electric extended fiber-optic cable to our Sterling Creek and Keller substations, and to our new Richmond Hill customer service center, which opened in January 2016.

Not only do these upgrades

increase speed and reliability for our communication abilities, but the Georgia Transmission Corp. and the Georgia Systems Operations Corp. also utilize the fiber for communications between their electric substations across the state. That means we are providing for better disaster preparedness and response in our region, as well as increased electric reliability.

Improvements = more reliability

Promoting the reliability of our electric system is an ongoing priority for Coastal Electric. We regularly inspect a rotating portion of our electric system each year, but after Hurricane Matthew, we saw to it that 100 percent of our system was inspected to ensure reliability.

Your cooperative also completed several major construction projects in 2016 in efforts to improve our system.

- Coastal Electric installed a second transformer bank and networked transmission between the Riceboro and Daniel Siding transmission stations.



Linemen work from a helicopter on April 16 to replace porcelain insulators on the 500,000-volt transmission line that runs along Hwy. 17 in Richmond Hill.

From Jan. 1-Oct. 31, Coastal's local customer service representatives **fielded 70,431 calls**, and our 24-hour overflow customer response center fielded 77,124, for a **grand total of 147,555 calls**. During October, driven largely by power outages from **Hurricane Matthew**, **13,917 calls were processed** through the customer response center. **A total of 3,535 calls** were processed through the **Midway Call Center**, and **3,943 were processed** through the **Richmond Hill office** – for a **grand total of 21,395 calls** just for October.

With almost one-third of our annual energy sales delivered from our Riceboro substation, these improvements will increase capacity and reliability to our service area. When needed, this second bank will also be available to separately serve industrial and residential loads.

- In March, we completed an overhead-to-underground line conversion project to improve electric reliability to members in Belfast Estates on Old Mill Road.
- In April, we replaced the underground cable that had been serving the members of Barbour Island for more than 30 years. While excavating on the island, we also installed fiber-optic cable for Darien Telephone Co.
- In May, we installed new lightning arrestors at the Sapelo Substation to replace an old arrestor.
- In July, we installed new recloser and regulator equipment at the Tradeport Substation to separate the underbuilt circuit to Dolphin Island from the underground circuit to Old Sunbury Road, Tradeport East. These kinds of projects help maintain reliability as the demand on our system grows.
- In October, we converted overhead lines to underground from Harris Trail to Richmond Hill elementary schools. The overhead line was located in

low-lying areas behind the Main Street subdivision, where access and maintenance were difficult. The new underground line was used during the restoration after Hurricane Matthew.

Portions of Coastal Electric's service territory are experiencing rapid growth, and we are doing our part to serve our ever-increasing membership with the same excellence that our long-time members enjoy. Coastal Electric's distribution system grew by 21 miles of new underground power lines in 2016, and those lines will primarily provide electric service to seven new residential developments.

It's all about service

Providing the most excellent service in the most efficient way possible is a priority for Coastal Electric.

Approximately 5,200 electric meter disconnect/reconnect switches were in use on our system in 2016. These remote control, automated meter-reading devices are most commonly used on rental property. They have helped reduce field services representatives' trips to the field, enabling us to extend their vehicles' service life by three to five years.

In January 2016, we opened a member service center in Richmond

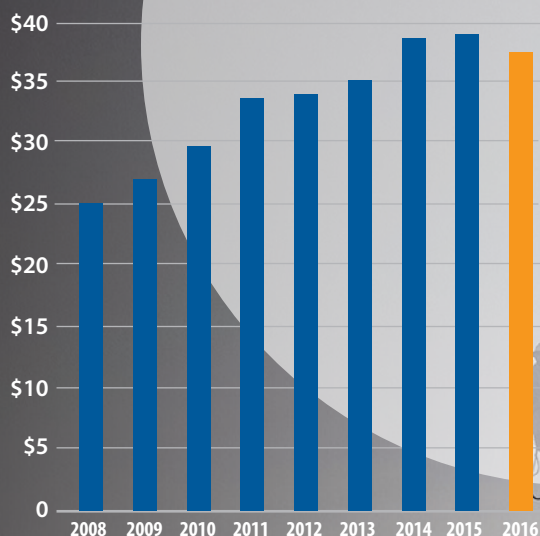
Hill, where business continues to grow. We successfully reorganized our customer service staff to better serve members in both our Richmond Hill and Midway locations.

Coastal Electric finished installing a 6-kilowatt solar rooftop array over the drive-thru of our new office on May 5, 2016. Between the 48-kilowatt solar array at our Midway office and the array in Richmond Hill, Coastal Electric generated 90,000 kilowatt-hours of solar energy in 2016—enough to power a school for one month.

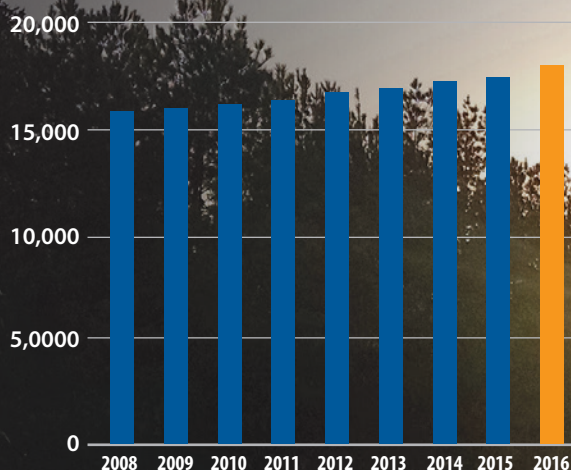
Also during October, our field service representatives worked tirelessly to complete 608 service orders. It's no wonder that in 2016, the readers of *Bryan County News* voted Coastal Electric Cooperative their favorite overall utility for the second year in a row.

Your electric cooperative exists to serve our members. Our values of integrity, accountability, innovation and commitment to community shape the way we work and make decisions on your behalf every day. You have counted on us to come through for you in 2016, and you can count on us to do so in the future.

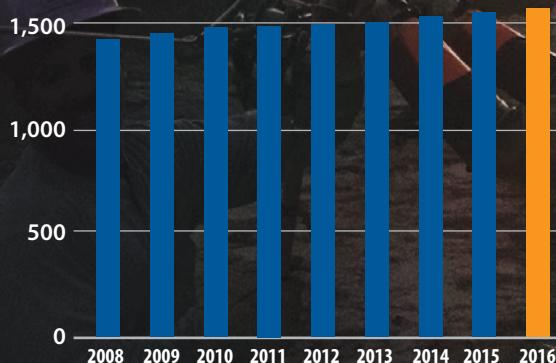
Cost of Purchased Power (in millions)



Growth in Meters



Miles of Line



MEMBERS' EQUITY AND LIABILITIES

Years Ended December 31, 2016 and 2015

	2016	2015
Members' Equity		
Membership Fees	\$ 76,470	\$ 74,475
Patronage Capital	30,355,460	27,868,718
Other Equities	3,938,612	3,704,372
	\$ 34,370,542	\$ 31,647,565
Long-Term Debt	59,621,485	56,182,081
Deferred Compensation	354,624	304,101
Current Liabilities		
Current Maturities of Long-Term Debt	2,444,150	2,209,803
Line-of-Credit	—	2,000,000
Accounts Payable	4,708,818	3,875,236
Consumer Deposits	1,034,480	986,615
Other	1,353,248	1,381,990
	9,540,696	10,453,644
Deferred Credits	209,598	202,001
Total Members' Equity and Liabilities	\$ 104,096,945	\$ 98,789,392

STATEMENTS OF REVENUE

Years Ended December 31, 2016 and 2015

	2016	2015
Operating Revenues	\$ 54,778,049	\$ 51,953,968
Operating Expenses		
Cost of Power	37,676,811	38,964,080
Distribution Operations	2,356,162	2,739,094
Distribution Maintenance	1,704,190	882,445
Consumer Accounts	1,902,993	1,700,353
Consumer Service and Information	755,692	769,936
Administrative and General	2,424,537	2,641,907
Depreciation	3,166,082	2,996,635
	49,986,467	50,694,450
Operating Margins Before Interest Expense	4,791,582	1,259,518
Interest Expense	2,491,792	2,379,937
Operating Margins (Loss) After Interest Expense	2,299,790	(1,120,419)
Nonoperating Margins	70,950	35,342
Generation and Transmission Cooperative Capital Credits	675,993	649,862
Other Capital Credits and Patronage Capital Allocations	160,255	144,285
Net Margins (Loss)	\$ 3,206,988	\$ (290,930)

FINANCIAL RESPONSIBILITY

2016 Coastal Electric Cooperative Treasurer's Report

Financial statements for the fiscal year ending Dec. 31, 2016, reflect the sound status of Coastal Electric Cooperative. Each year, we retain the services of McNair, McLemore, Middlebrooks & Co., LLP, Certified Public Accountants, to perform an audit of the cooperative's accounting records.

This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. The figures in this report are from the audit and represent a summary of the auditor's complete report. Copies of the audit are on file at the cooperative's headquarters.

Laura McGee

Secretary/Treasurer
Coastal Electric Cooperative
Board of Directors

BALANCE SHEETS

Years Ended December 31, 2016 and 2015

ASSETS	2016	2015
Utility Plant		
Electric Plant in Service - At Cost	\$ 102,109,272	\$ 96,526,586
Construction Work in Progress	577,491	1,303,504
Gross Utility Plant	102,686,763	97,830,090
Accumulated Provision for Depreciation	(22,038,717)	(20,076,606)
	80,648,046	77,753,484
Other Property and Investments		
Investments in Associated Organizations	11,984,879	11,273,967
Note Receivable	133,598	271,098
Restricted Funds	689,318	593,794
Other	58,047	73,533
	\$ 12,865,842	\$ 12,212,392
Current Assets		
Cash and Cash Equivalents	2,662,336	2,329,121
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of \$331,243 in 2016 and \$217,978 in 2015)	1,404,016	1,303,251
Accrued Utility Revenues	3,064,470	2,602,419
Materials and Supplies	1,613,452	1,665,212
Other	135,274	162,369
	8,879,548	8,062,372
Deferred Debits	1,703,509	761,144
Total Assets	\$ 104,096,945	\$ 98,789,392

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years Ended December 31, 2016 and 2015

ASSETS	Total Members' Equity	Membership Fees	Patronage Capital	Other Equities
Balance - December 31, 2014	\$ 32,311,919	\$ 72,100	\$ 28,531,994	\$ 3,707,825
Net Loss	(290,930)	—	—	(290,930)
Membership Fees	2,375	2,375	—	—
Retirement of Patronage Capital	(663,276)	—	(663,276)	—
Retired Capital Credit Gains	287,477	—	—	287,477
Balance - December 31, 2015	31,647,565	74,475	27,868,718	3,704,372
Net Margins	3,206,988	—	3,136,038	70,950
Membership Fees	1,995	1,995	—	—
Retirement of Patronage Capital	(649,296)	—	(649,296)	—
Retired Capital Credit Gains	163,290	—	—	163,290
Balance - December 31, 2016	\$ 34,370,542	\$ 76,470	\$ 30,355,460	\$ 3,938,612

2016 Coastal Electric Cooperative Foundation Treasurer's Report

Financial statements for the fiscal year ending Dec. 31, 2016, reflect the sound status of the Coastal Electric Cooperative Foundation. Each year, McNair, McLemore, Middlebrooks & Co., LLP, Certified Public Accountants, performs an audit of the foundation's accounting records.

This audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. The figures in this report, which are displayed on this page, are from the audit and represent a summary of the auditor's complete report. Copies of the audit are on file at the cooperative's headquarters.

Runette Parker

Treasurer
Coastal Electric
Cooperative Foundation

2016 Coastal Electric Cooperative Foundation Board of Directors

Bryan County

Debra Hennessee
Constance Riggins
Runette Parker

Liberty County

Donna Popour
Gabelyn Stevens
Barbara Smith

McIntosh County

Alton Salter
Jerry Adkins
Thomas E. Wallace

Foundation Message

The Coastal Electric Cooperative Foundation has awarded grants totaling more than \$1,456,146 for the food, health, shelter, safety and education needs of Bryan, Liberty, Long, and McIntosh counties since its founding in 1993.



2016 Coastal Electric Cooperative Foundation grants awarded

Groups

McAllister Elementary School	\$	2,500.00
Liberty County Board of Education	\$	2,000.00
Liberty Coastal Lions Club Midway	\$	2,000.00
Dorchester Improvement Association	\$	2,000.00
Memorial Health Foundation Children's Hospital	\$	2,000.00

Bright Ideas classroom grants

Richmond Hill Middle School (4)	\$	4,524.85
Bradwell Institute (2)	\$	3,939.47
Frank Long Elementary	\$	1,981.58
Liberty Elementary School	\$	1,941.33
Waldo Pafford Elementary	\$	1,870.00
Snelson-Golden Middle School	\$	1,796.00
McAllister Elementary School	\$	1,683.00
George Washington Carver Elementary (2)	\$	1,545.55
McIntosh County Middle School	\$	1,578.00
Todd Grant Elementary	\$	1,419.96
McIntosh County Academy	\$	1,295.00

STATEMENTS OF FINANCIAL POSITION

Years Ended December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash	\$ 166,543	\$ 12,972
Temporary Cash Investments	88,541	118,440
Contributions Receivable	5,242	4,519
Interest Receivable	8	11
Total Assets	\$ 260,334	\$ 135,942
NET ASSETS		
Unrestricted	\$ 240,334	\$ 115,942
Temporarily Restricted	20,000	20,000
Total Net Assets	\$ 260,334	\$ 135,942

Notes, which are an integral part of this financial statement, are on file at the cooperative's headquarters.



When **Coastal Electric** has money left over, it is allocated **back to our members** as capital credits. To date, the cooperative has returned **\$3.6 million** to **present** and **past members**.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

	2016	2015
Unrestricted Net Assets		
Support		
Contributions	\$ 193,579	\$ 63,867
Assets Released from Temporary Restriction	20,000	20,000
Donations In-Kind	14,577	19,542
Interest Income	101	154
	228,257	103,563
Expenses		
Program Service		
Specific Assistance to Individuals	43,976	36,686
Assistance to Other Agencies	15,312	44,710
Scholarships	30,000	30,000
Supporting Service		
Administrative and General	14,577	19,542
	103,865	130,938
Increase (Decrease) in Unrestricted Net Assets	124,392	(27,375)
Temporarily Restricted Net Assets		
Grants	20,000	20,000
Assets Released from Temporary Restrictions	(20,000)	(20,000)
	—	—
Increase (Decrease) in Net Assets	124,392	(27,375)
Net Assets, Beginning	135,942	163,317
Net Assets, Ending	\$ 260,334	\$ 135,942

STATEMENTS OF CASH FLOW

Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Contributions Received	\$ 212,855	\$ 83,953
Redeemed Certificates of Deposit	30,000	20,122
Donations Paid	(89,288)	(111,396)
Interest Received	4	2
	153,571	(7,319)
Cash, Beginning	12,972	20,291
Cash, Ending	\$ 166,543	\$ 12,972
Reconciliation of the Change in Net Assets to Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 124,392	\$ (27,375)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Change In		
Temporary Cash Investments	29,899	19,972
Contributions Receivable	(723)	85
Interest Receivable	3	(1)
Cash Flows from Operating Activities	\$ 153,571	\$ (7,319)



**2016 Coastal Electric
Cooperative Foundation
scholarships
awarded**

\$5,000 scholarship winners

Morgan Hay
Megan Higgason
Diana Wilson
Sandra Scott
Duncan Hill
Julianna Hensley

**Washington Youth Tour \$1,000
scholarship winners**

Eternity Briggs,
Liberty County High School
Logan Brown,
Richmond Hill High School
Madison Buckley, First Presbyterian
Christian Academy
Makayla Crosby,
McIntosh County Academy
Jennifer Thorpe, Richmond Hill
High School
Jermaine Ward,
McIntosh County Academy



Your Board of *Directors*



'The Coastal Electric Cooperative board made big decisions this year that represent big investments. The board evaluated all of these projects, asked difficult questions, considered the pros and cons and, in the end, authorized them with full confidence in staff and a solid understanding of how they will strengthen service to our members.'

—F. Whit Hollowell Jr.,
Executive Vice President/CEO



Stephen Mullice
Liberty County
President



Jack Waters
Liberty County
Vice President



Laura McGee
Bryan County
Secretary/Treasurer



W.L. Bland
McIntosh County



Kyle Christiansen
Bryan County



John B. Kearns
McIntosh County



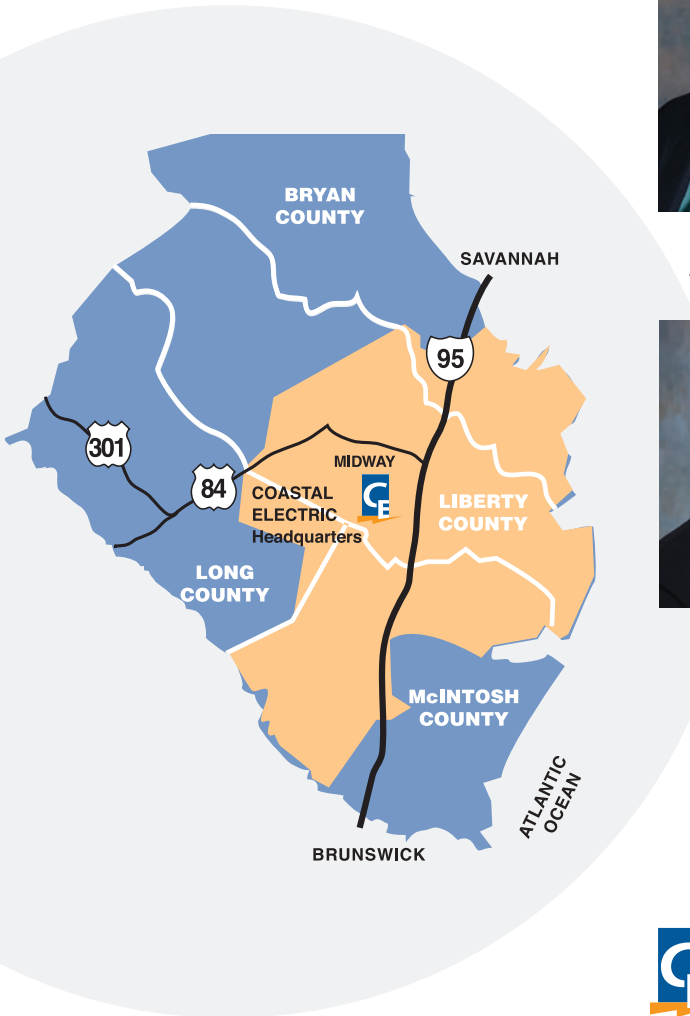
Kenneth Luke
Bryan County



Reagan Odom
McIntosh County



John Woods III
Liberty County



P.O. Box 109
Midway, GA 31320
(912) 884-3311
(800) 421-2343
www.CoastalElectric.Coop