




the power to be more

2019 Annual Report



Gibson Electric
Membership Corporation

® Your Touchstone Energy® Cooperative 




GIBSON
CONNECT™

Gibson Electric Membership Corporation's consumer-members have always been at the helm of our business. Since its creation in 1936, the cooperative has been dedicated to the worthy purpose of improving the quality of life for its members and communities.

Already, we have built an electric infrastructure that delivers safe and reliable electric service to almost

39,000 homes and businesses in 12 counties. Now we are working to build a fiber-to-the-home network that will provide our members in rural northwestern Tennessee and western Kentucky with universal high-speed, fiber-based internet access equal to or better than that enjoyed by our nation's largest cities.

United, we possess the power to grow and prosper – *the power to be more.*



Former First Class Lineworker and current Substation Technician Jonathan Petty constructs a line to serve a new member.

the power to be more **Pursuing exceptional, safe, reliable and affordable service**

In 2019, Gibson Electric Membership Corporation's board and employees continued our pursuit to provide exceptional customer service and safe, reliable, affordable electric service.

Growth in Medina and Three Way, Tennessee, generated the need to build a new substation in that part of our service area. In 2019 we purchased and began preparing the property for this addition. We also started the engineering with plans to be operational by fall 2020. The new substation is projected to cost in excess of \$4.25 million.

We also performed needed maintenance work in our Union City, Tennessee, substation. The equipment upgrades, totaling more than \$200,000, will help ensure continued safety and service reliability for members in Obion County.

Additionally, we completed a conversion project, upgrading our power lines from 12kV to 25kV in Springhill, Kentucky, and the surrounding communities and in the area northeast of Clinton, Kentucky.

We also performed a sectionalizing study of the entire system to ensure that our equipment is coordinating properly to limit outages and affect the smallest number of members. And, we continued increasing the intelligence of our electric grid with the addition of more equipment that communicates with Gibson EMC's Supervisory Control and Data Acquisition system.

All of these projects contribute to improved isolation of outages, fewer momentary and sustained outages, faster service restoration and greater operating efficiency.



*Financial Accountant Julie
Grogan works in our
Hickman Member
Service Center.*



Apprentice Lineworker Landon Spencer prepares to replace a pole.

Pursuing exceptional service, cont ...

An absolutely vital component of safety and service reliability is Gibson EMC's on-going vegetation management program. Trimming trees and other foliage along the co-op's 3,519 miles of electric line has long been one of the co-op's largest expenses, but it has increased dramatically since 2018, skyrocketing from \$1.3 million for 2018 to \$3.7 million for 2020.

We have analyzed and implemented the steps we can take to control this cost to the extent possible, but unfortunately, it may ultimately necessitate a small rate increase.

Our employees also have been focused on cutting costs and improving safety. In 2019, 94 of our 96 eligible employees completed the full year with no lost-time accidents. Our Tiptonville Member Service Center

(MSC) employees worked 52,045 hours, our Alamo MSC employees worked 69,199 hours and our Trenton MSC employees worked 339,218 hours with no lost-time accident. Their efforts not only yielded fewer accidents and less dollars spent in 2019, but also are lowering workers' compensation premium costs for 2020.

Because the safety of member, employee and corporate data remains a critical priority, we continue to invest in our communications network, strengthening its protection and redundancy. The actions we are taking maximize our ability to consistently maintain communications functionality between our offices, substations and electric system components, which enables us to provide members a higher level of service.

the power to be more **Connecting members to opportunity**

Throughout 2019 we conscientiously worked to provide members access to gig speed internet service. At year-end, we had built 700 miles of fiber and connected more than 3,000 members' homes and businesses.

Phase 1 (the Medina, Three Way, Dyer, Ridgely, Tiptonville and Samburg zones) construction was completed and Phase II (Humboldt/Gibson, Trenton South, Trenton North, Gadsden and Hornbeak zones) construction was underway. More than

11,000 members had registered for the service at join.gibsonconnect.com and two more zones (Rutherford and Kenton) met their participation goals.

We launched the long-awaited Gibson Connect TV App with three strong package options, and we

You asked, we delivered

Our members communicated their desire for access to high-speed, fiber-based internet service, and we listened. We formed Gibson Connect, a wholly-owned, not-for-profit broadband subsidiary in July 2017 after passage of the Tennessee Broadband Accessibility Act.

We launched our join.gibsonconnect.com site in October of that year, enabling our members to guide the order of our buildout. We began construction of the fiber-to-the-home (FTTH) buildout in August 2018, which used the investment Gibson EMC

already had made in its existing 350-mile fiber network that connects the cooperative's offices, substations and other critical infrastructure.

Now into our second year of Gibson Connect's 3,100-mile FTTH project, we are receiving exceedingly positive feedback from those we have connected.

We expect it will take us at least another three years to reach all of our members, but we are moving as quickly as we can. We ask for our members' continued patience as we press forward with the goal of ultimately providing this essential service to all of our eligible members.

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Connecting members to opportunity, cont ...

continued to enjoy an enthusiastic demand for our phone service.

We have aggressively pursued grant and low-interest loan money to most affordably deploy broadband access to our members. To date, we have been awarded a cumulative \$3.16 million in Tennessee Broadband Accessibility grants and federal Connect American Fund Phase II Auction funding, and \$31.9 million in low-interest ReConnect loan funds from USDA.

Just as we understand that high-speed internet access is critical to the advancement of our communities, we also understand the need for good jobs, strong schools and leadership development.

We actively assist our Chambers of Commerce and regional economic development partners with commercial and industrial business retention and expansion efforts, and we help recruit new employers to our area. We also look toward our future by engaging with our young

people through safety and education programs, career exploration and leadership development opportunities.

We partner annually with CoBank, a national cooperative bank, to provide a total of \$15,000 in "Sharing Success" grants to 501(c)(3) nonprofit members who are improving the quality of life in their communities. This year's recipients were Reelfoot Rural Ministries, Crockett Mission and the Gibson County Memorial Library. Our members in Kentucky also collectively contributed more than \$15,000 to other 501(c)(3) nonprofit members in our Kentucky service area through our Change for the Communities program. We are working on expanding this excellent opt-in program to our Tennessee communities.



Member Services Assistant Sarah Williams, from left, Gibson County High School Student Molly Tate and Peabody High School Student Jarel Dickson attended the Youth Leadership Summit in Nashville.



Gibson EMC members attend last October's Member Appreciation event in Troy. Gibson EMC employees, from right, are Member Service Representatives Lois Milligan and Narika Cunningham and Engineering Assistant Sandy Thompson.

We are local, not-for-profit, member-owned and member-controlled. We – our board and employees – live, worship and volunteer alongside our members and care deeply about our communities.

We share a proven history, an exciting present and a promising future. Working together, we have *the power to be more.*

At right, First Class Lineworker Donny Thomas talks about safety with students at Trenton Elementary School.



As part of the Tennessee Electric Co-op Day of Service, Gibson EMC employees collected, packed and delivered food for Crockett County schools' Backpack Buddies programs. Pictured from left are First Class Lineworker Jamie Moore, Member Service Representative Anita Green, Key Accounts Representative Cynthia McClure, Line Crewleader Tim Rowland, Member Service Representative Sherry Agee, VP of Economic Development and Community Relations Emily Sullivan and First Class Lineworker Daniel Hazlewood.

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Ad Valorem & Property Tax Payments

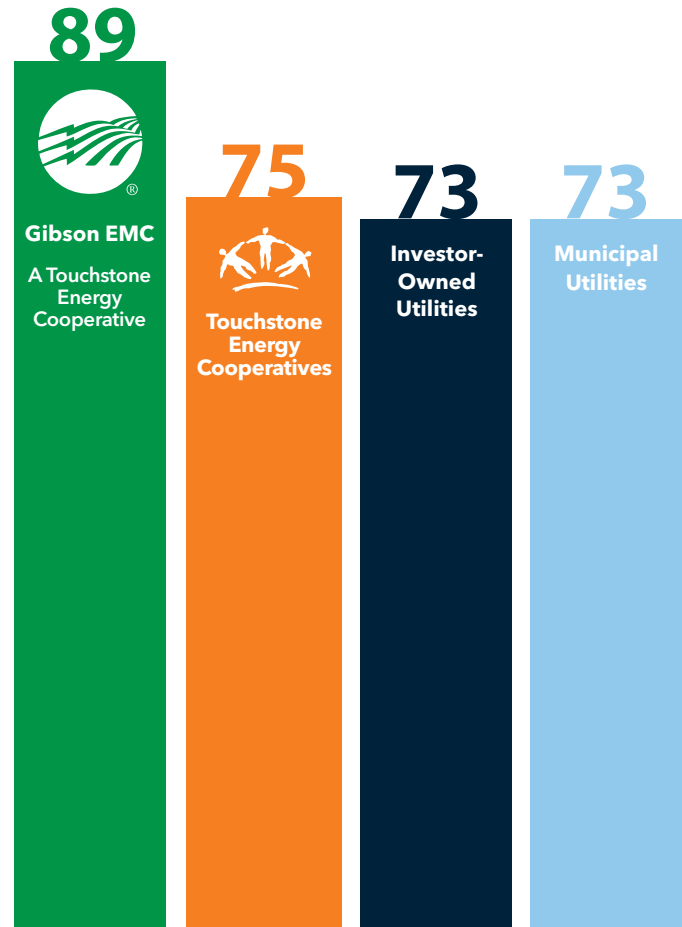
Each year Gibson EMC pays ad valorem and property taxes to the towns and counties in which we have infrastructure. The amount of taxes paid is based on the assessed value of the infrastructure, including buildings, substations, transformers, poles and lines. The 2019 ad valorem and property taxes paid were ...

Tennessee

Crockett Co.	\$296,893.89
Dyer Co.	\$41,367.00
Gibson Co.	\$641,714.43
Haywood Co.	\$2,744.83
Lake Co.	\$199,598.00
Lauderdale Co.	\$24.00
Madison Co.	\$55,131.00
Obion Co.	\$343,985.89
	\$1,581,459.04

Kentucky

Carlisle Co.	\$14,583.62
Fulton Co.	\$56,909.42
Graves Co.	\$871.37
Hickman Co.	\$49,205.76
State of Kentucky	\$60,862.36
	\$182,432.53



In 2019 Gibson EMC commissioned Younger Associates of Jackson, Tennessee, to survey its commercial and industrial consumer-members. Those surveyed gave Gibson EMC an American Customer Satisfaction Index (ACSI) rating of 89. This is 14 points higher than the ACSI rating of other U.S. Touchstone Energy Cooperatives and 16 points higher than the ACSI rating of Investor-Owned Utilities and Municipal Utilities.

President and CEO & Attorney

Dan Rodamaker
President and CEO



Randy Camp
Attorney



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
*Assistant Secretary-
Treasurer/District 8*



Richard Skiles
*Secretary-Treasurer
District 9*



Keith Forrester
District 10



Don Leathers
District 11



David Kimbell
District 12

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The Consolidated Financial Statements

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

ASSETS	2019
Electric Plant	\$207,770,154
Depreciation	<u>(\$85,315,870)</u>
Net Plant	\$122,454,284
Reserve & Cash Fund	\$10,094,398
Current & Accrued Assets	\$15,350,639
Deferred Debits	<u>\$4,943,118</u>
Total Assets	<u><u>\$152,842,439</u></u>

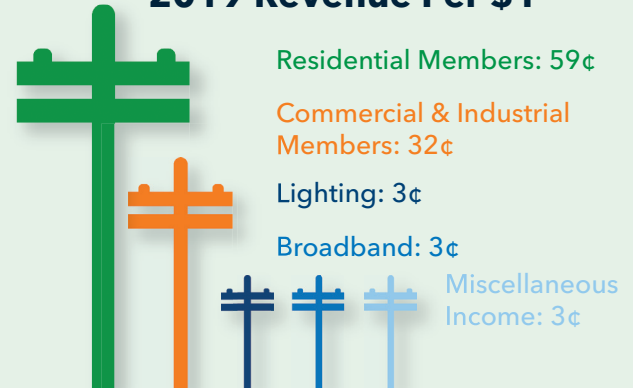
EQUITIES AND LIABILITIES

Current & Accrued Liabilities	\$13,158,770
Deferred Credits	\$1,987,304
Membership Investment	\$260,406
Long-Term Debt	\$32,140,453
Earnings Reinvested in System Assets	<u>\$105,295,506</u>
Total Equities and Liabilities	<u><u>\$152,842,439</u></u>

REVENUE AND EXPENSE STATEMENT

Operating Revenue	<u>\$98,050,817</u>
Purchased Power Expense	<u>\$69,447,735</u>
Operations Expense	\$11,393,052
Maintenance Expense	\$5,731,514
Depreciation Expense	\$7,304,438
Tax Expense	<u>\$1,800,991</u>
Net Margin from Operations	<u>\$2,373,087</u>
Non-Operating Income	\$987,993
Interest Expense	<u>\$1,265,341</u>
Net Margin	<u><u>\$2,095,739</u></u>

2019 Revenue Per \$1



Gibson EMC received \$98,050,817 in revenues in the fiscal year that ended December 31, 2019. Our revenues came from several sources: residential members, commercial & industrial members, lighting, broadband and miscellaneous income.

2019 Expenses Per \$1



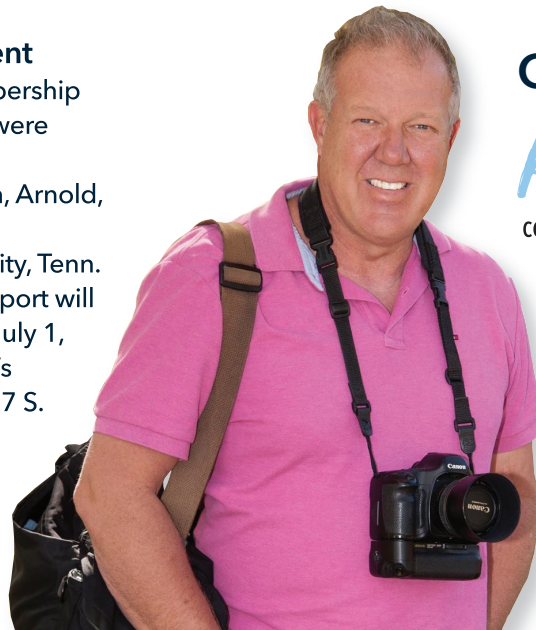
Gibson EMC buys power from the Tennessee Valley Authority. In the fiscal year that ended December 31, 2019, we spent 75% of our electric sales revenue to pay our TVA power bill. The other 25% was used for operations, maintenance, depreciation, interest and tax expenses.

Statistical Information

	2017	2018	2019
Number of Meters	38,696	38,741	38,792
Consumer-Member Equity	\$100,171,153	\$103,199,767	\$105,295,506
Long-Term Debt	\$21,452,832	\$20,399,080	\$32,140,453
Interest Paid	\$1,511,304	\$1,438,337	\$1,265,341
Total Kilowatt-Hours Sold	857,961,425	929,890,547	886,703,046
Average Monthly Residential Kilowatt-Hour Consumption	1,241	1,418	1,330
Number of Full-Time Employees	97	104	109
Meters per Mile	11.0	11.0	11.0
Miles of Line	3,529	3,514	3,519
Investment per Meter	\$4,599	\$4,878	\$5,356
Taxes Paid	\$1,570,209	\$1,599,081	\$1,763,892
Wholesale Power Cost as % of Electric Sales Revenue	76%	76%	75%

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, 2020, at Gibson EMC's Corporate Office, 1207 S. College St., Trenton, Tenn., 38382.



Gibson Connect

Photographer Beau Arnold is one of our many happy Gibson Connect consumer-members. He says, "I need really good upload speeds in order to work, and Gibson Connect is delivering on that need. My experience is that Gibson Connect gives service beyond what is expected."

CORPORATE

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

ALAMO

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

HICKMAN

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

MEDINA

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

TIPTONVILLE

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

TRENTON

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

TROY

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

GIBSON CONNECT

1207A S. College St. | Trenton, TN
731-562-6000

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