



going the extra mile
2017 ANNUAL REPORT



BALDWIN EMC

Your Touchstone Energy[®]
Cooperative



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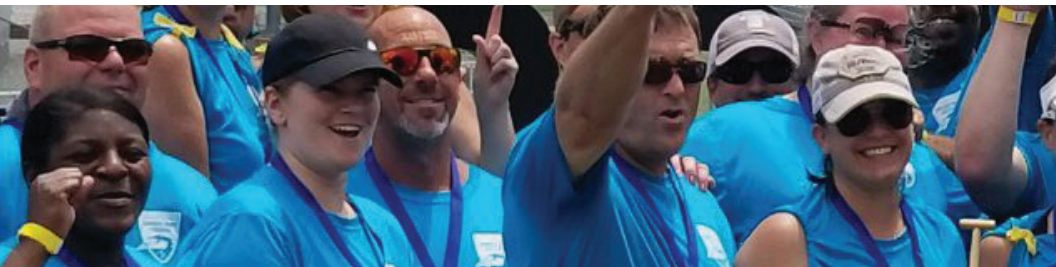
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WHO WE ARE

Baldwin EMC is the largest rural electric cooperative in the state of Alabama. We serve more than 75,000 electric accounts in Baldwin and southern Monroe Counties. In 2017, we celebrated 80 years of bringing light to our community.

We may be part of a large network of cooperatives that provides power to more than 19 million homes, businesses and other establishments in the United States, but we're still a small-town organization at heart. Our 193 employees are all locals, many of whom grew up here and have deep roots in the cities and towns we serve.

We believe in doing all that we can to help our community thrive.

Our mission is to be safe, member-focused, efficient and community involved. We strive to provide electricity that's both affordable and dependable for our members.

Baldwin EMC is a democratically controlled organization, governed by a member-elected board of seven trustees who come from the areas they represent. Our board of trustees directs our strategic plans and our general operating guidelines.



**BALDWIN EMC
SERVICE AREA**

OUR CORE VALUES

Safety | Teamwork | Integrity
Leadership | Empathy

2017

HIGHLIGHTS & MILESTONES

JANUARY: Baldwin EMC crews travel to Georgia following Winter Storm Helena and to Florida following severe weather in that area to help sister cooperatives restore power.

FEBRUARY: A partnership is formed between Baldwin EMC and the Baldwin County Sheriff's department to provide the Mobile EZ child identification system for children in our community.

MARCH: A record number of blood donors show up to save as many as 366 lives by giving blood during Baldwin EMC's Spring Into Action drive.

APRIL: Baldwin EMC celebrates a major milestone: 80 years of bringing light to the people of Baldwin and Monroe Counties.

MAY: Baldwin EMC wraps up its Shining Star Student of the Month program for the 2016–2017 school year. In total, nine middle school students are honored for displaying outstanding character in their classrooms.

JUNE: Four local students, Ashlyn Bankston, Carter Jernigan, William Randall and Rizpah Sarcar, represent Baldwin EMC on the National Rural Electric Cooperative Youth Tour in Washington, D.C.





JULY: Baldwin EMC's Charitable Foundation honors 17 students who received college scholarships for the 2017–2018 school year.

AUGUST: Members of the Silverhill Police Department introduce the Baldwin EMC Charitable Foundation board to "Robi" a Belgian Malinois K9 officer. A grant from the foundation helped make it possible for the police department to acquire Robi, who is used jointly for law enforcement and educational purposes.

SEPTEMBER: Forty-six Baldwin EMC employees travel to Florida to help restore power following Hurricane Irma, which left more than six million residents without power.

OCTOBER: Baldwin EMC holds another successful "Pink Power" campaign, which included visits to local cancer centers, educational efforts and fundraising. A donation totaling \$5,000 is presented to the Guardians of the Ribbon of Lower Alabama.



NOVEMBER: Ninety people donate blood and many more donate coats for kids during Baldwin EMC's annual Power of Giving drive, marking the 12th successful year for the event.



DECEMBER: Baldwin EMC employees Ray Bishop, Kevin Dorman, Louis Ruffin and Jody Taylor are honored with the Baldwin EMC/Touchstone Energy Power and Hope award. Bishop receives the award for his efforts to help save a stranger who was suffering from a diabetic emergency. Dorman, Ruffin and Taylor are honored for working together to provide an emergency generator to Florida resident Carol Grozier following Hurricane Irma.



FROM YOUR BOARD PRESIDENT

Peggy Vanover Barnes

The Alabama Gulf Coast is in a position to face a lot of progress and change over the next 10 to 20 years. Residents, community leaders and even members of the media have used terms like “unprecedented” and “record-breaking” to describe our potential growth. It’s enough to cause a bit of trepidation.

That is, unless you’ve been down this road before, which Baldwin EMC has.

When I first joined Baldwin EMC’s Board of Trustees 30 years ago, we served around 26,000 meters. Today, we serve approximately 75,000. We have experienced consistent growth for the past 20 years, except for a brief turndown from 2008 to 2009. Now we serve more meters in the state of Alabama than any other electric cooperative. We hold that lead by a whopping 30,000 meters.

In other words, growth is nothing new for us, and it’s not at all intimidating. As a matter of fact, I find it exhilarating.

Of course, with change comes challenges. As new members with different interests, concerns and backgrounds become part of our cooperative, we’ll have many opportunities to revisit some of the ways we do business and redirect when necessary.

So, I hope you’ll join me in looking at the changes and growth we’re set to face as a chance to embrace what looks daunting and use it to fuel us forward.

After all, we’ve done it before. And one of the most important things we’ve learned is that the needs of this community go beyond just providing electricity. That’s still the core of our business, and we would still survive if that’s all we did. But surviving isn’t the same as thriving. Today we know that helping the areas we serve to thrive means sometimes going the extra mile. For us, that can mean the volunteer work our employees do, the scholarships and other important needs we’ve been able to fund through Operation Round Up or the economic development initiatives we’ve supported.

When you read this annual report, I think you’ll get an even deeper look at how we lived out that goal of going the extra mile throughout 2017.

No matter what’s on the horizon, you can be confident that you’re in good hands. Baldwin EMC’s leadership has the knowledge, the training and the experience needed to successfully guide this ship through changing waters.

Remember, we’re your
cooperative and we’re
in this **TOGETHER.**

Peggy Vanover Barnes



2017

BOARD OF TRUSTEES

(PICTURED ABOVE, LEFT TO RIGHT)

Aubury Fuller, *District 3*

Peggy Vanover Barnes, *President – District 6*

Robert Kaiser, *District 5*

Chad Grace, *District 1*

Joe Coleman, *District 2*

Tommie Werneth, *Vice President – District 4*

Jimmy LaFoy, *Secretary/Treasurer – District 7*





(PICTURED ABOVE, LEFT TO RIGHT)
Jody Taylor, Vice President
Operations
Alan Schott, Vice President
Finance and Accounting
Karen Moore, Chief Executive Officer
Steve Irvin, Vice President
Engineering
Briana Coleman, Executive Assistant
Mark Ingram, Vice President
Corporate Services and Public Relations





FROM THE CHIEF EXECUTIVE OFFICER

Karen Moore

It's a privilege to once again present you with the Annual Report for Baldwin County Electric Membership Cooperative. This publication is your in-depth look at the progress we made in 2017, along with the moments we celebrated and the milestones we reached. As a member-owned cooperative, we are obligated to keep you in the loop regarding our operations at Baldwin EMC. It's the fifth of the Seven Cooperative Principles: education, training and information.

But beyond just being an informational piece, I like to think of this Annual Report as a way for us to connect with you on a personal level. As you flip through the pages of this report, you'll see familiar faces – the ones who came to your home when your power was out, the one who walked you through the application process when you first signed up for service with Baldwin EMC, the one who answered the phone and your questions the last time you called us.

You'll also see examples of how we lived out our core values: safety, teamwork, integrity, leadership and empathy. Although we've always operated with morals and ethics, in 2016 we highlighted these five, chosen by our employees, and set

them as our standard for everything we do.

These values not only reflect our actions, but what we believe our members want and expect from us. Because there's something unique about receiving electricity from a cooperative: when you sign up for service from us, you become a part of our team. Every time you pay your bill, you're giving us the resources we need to continue operating with safety, teamwork, integrity, leadership and empathy.

So whether it's restoring power after a major storm, laying the electrical groundwork for new businesses to come to our area, or providing scholarships for college-bound teenagers, what we did, we did together.

We're stronger together.

We're better together.

We can do more.

TOGETHER.

A handwritten signature in black ink that reads "Karen Moore". The script is fluid and cursive, with a large, stylized 'K' and 'M'.

TOGETHER WE BROUGHT LIGHT TO A WORLD IN THE DARK

Today, we depend on electricity for just about everything. From the traffic signals that help us stay safe on our commute to work, to the security systems that keep us safe in our homes – without electricity, our lives would be much different.

That's why Baldwin EMC works so diligently to keep outages to a minimum and to respond quickly when they do happen. You could say we were pretty successful, as our average outage time in 2017 was less than one hour per member.

Back in 1937, when Baldwin EMC was just developing into the organization it is today, our focus was a bit different. Two years earlier, the U.S. Bureau of Home Economics conducted a survey that found less than two percent of Alabama's farming families had electricity.

Having witnessed the electricity revolution happening in surrounding cities, Baldwin EMC's first members banded together to bring light to their communities, which were facing

long, hot days beneath a sun that never stayed out quite long enough.

It took a loan of \$200,000 from the Rural Electrification Administration to lay the groundwork for an electrical distribution system. Adjusted for inflation, that would amount to \$3.5 million in today's dollars. For a group of farmers who still traveled on dirt roads, that must have been a very daunting sum to undertake. But they had something that truly mattered: foresight. They had the wisdom to see how electricity would drastically change the way they lived their lives, and the foresight to know that a huge return on their investment was on the horizon.

They had something else that made a difference. They had each other. Together they would share the risks and rewards of their cooperative. Together they would convince their neighbors to hand over their hard-earned \$5 membership fees to be a part of the cooperative. Together, they would keep their vision afloat during the Great Depression, major storms and multiple world wars.



Together, they handed a legacy to Baldwin EMC and its members today. Together, it's our job to continue bringing light to our community – light that means much more than just the flip of a switch. It's our duty to bring light that improves the quality of life for those we serve, just like our founders did so many years ago.

TOGETHER.

1937 / 2017

TOTAL METERS

700

74,000

**TOTAL MILES
OF LINE**

211

4,500

**TOTAL EMPLOYEES
OF BALDWIN EMC**

4

193





TOGETHER WE GREW AND GREW...AND GREW

It's safe to say Benjamin Franklin knew a thing or two about entrepreneurship. He also knew quite a bit about cooperatives. His company, The Philadelphia Contributionship for the Insurance of Houses from Loss by Fire, a mutual fire insurance provider, was America's first cooperative and still operates to this day.

So maybe he had cooperatives in mind when he uttered the now-famous quote:

"Without continual growth and progress, such words as improvement, achievement, and success have no meaning."

Even a great philosopher like Mr. Franklin might have had a hard time predicting the unprecedented growth that's happened in our area in recent years.

According to reports from the U.S. Census Bureau, Baldwin County grew by 16.5 percent, or more than 30,000 people between 2010 and 2017. And Baldwin EMC has grown right along with it.

Frederic blew through Mobile and Baldwin Counties and sparked a building boom that lasted for decades. Today, it's been 14 years since our county took a direct hit from a hurricane, but our area is still on the rise. Of Alabama's 30 fastest growing cities, Baldwin County is home to 10.

Baldwin EMC has seen a continual trend of upward growth every year since 2009. Between 2010 and 2017, we've added 6,875 meters and almost 200 miles of line. We've also increased the number of employees working to serve you, the number of phone lines you can access to reach us, and the number of ways you can pay your bill and report outages, just to name a few changes.

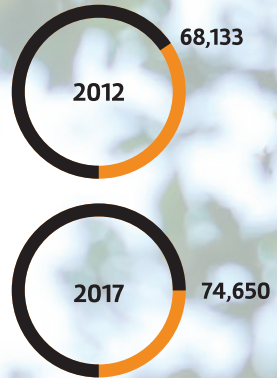
Despite all this growth, Baldwin EMC has maintained steady costs for its members, having undergone only one rate adjustment since 2010. And although we're one of the largest utility providers in Baldwin County, our rates have stayed among the lowest in the region.

We've never gotten too big to forget what matters most to our members. Regardless of how much growing we do, that's one promise we intend to keep.

Even after 80 years in the electric business, we're still charting new courses. Take our newest substation in Foley for example. Growth over the past several years in and around the city of Foley caused us to evaluate the existing demand for electricity and the projected needs of this area. After an initial analysis, Baldwin EMC determined that adding a new substation to the area was the best plan. The new substation was completed in 2016 and in 2017 a new amusement park and retail complex, OWA, opened its doors to the public. In addition, two new residential apartment buildings are under construction nearby. Meeting the electricity needs of this area is an ongoing process for Baldwin EMC. The same can be said for the rest of the ever-growing region the co-op serves.

5 YEAR GROWTH FOR BALDWIN EMC

METER COUNT



KILOWATT HOURS
SOLD





TOGETHER WE CREATED A CULTURE OF SAFETY

Eighty years ago, if you needed to work on an energized line, you wore whatever everyday clothing you had on, you climbed up the pole using a single leather strap, and you got to work. You might have been wearing a baseball cap on your head, but definitely not a hard hat. If you didn't need glasses to see, you certainly didn't wear them to work. Gloves may very well have been the only additional item you added, and they were mainly for protecting your hands from cuts and callouses rather than electrocution.

That was then. Thankfully we've learned more, and now we're doing more to protect our employees as they deal with the dangerous and unforgiving business of delivering electricity.

But we're still learning. And we're still constantly making improvements.

In 2017, we expanded our safety committee to include more representation from various departments of the cooperative, including both operations and non-operations personnel. We worked with our statewide organization, the Alabama Rural Electric Association, to update and add crucial information to our safety manuals, in order to reflect changes at our cooperative. We created a system for employees to voice their concerns about potential safety hazards, and as a result have made improvements to everything from office security to protective gear for our line crews.

Our safety improvements weren't all physical in 2017. Much of it involved training and education for our employees. Last year alone, Baldwin EMC's employees participated in more than 4,000 hours of safety training. This includes monthly safety meetings for operations crews, and first-aid and CPR certification training. In 2017, we also participated in the Rural

WHAT THE WELL-DRESSED LINEMAN WAS WEARING IN 2017

[SAFETY GLASSES] protect their eyes from hazards that may cause injury.

[HARD HAT] provides insulated protection against electrical hazards and protects the head from blows and falling objects.

[FIRE RETARDANT CLOTHING] self-extinguishes and dramatically reduces the severity of injuries if a lineman comes into contact with flames.

[CLIMBING SAFETY BELT] often called a "no-fall climbing harness", a pole strap prevents falls and allows the lineman

to tie-off while climbing up or down a pole.

[CLIMBING BELT] acts as the lineman's suitcase, with clips, loops and D rings providing ways to carry virtually every tool he might need — whether it's on the ground, on a pole or in a bucket truck.

[RUBBER INSULATED GLOVES & PROTECTORS] provide protection against electric shock and burn. The outside leather gloves protect the rubber against cuts, abrasions and punctures.





Electric Safety Achievement Program, an initiative developed by the National Rural Electric Cooperative Association (NRECA), developed to evaluate and offer guidance for electric cooperative safety programs. Our participation in this program helped us take a proactive stance and tackle things that have the potential to cause harm to our team.

Our year was not free from bumps in the road. We did have an accident here or there, and unfortunately, one injury requiring surgery. But rather than feel defeated, we put things into perspective and used it as a teaching moment that will hopefully prevent similar incidences in the future.

It didn't take us very long to learn that hard hats, safety glasses and gloves can save a life. Just like it didn't take us long to learn that we should never stop learning.

Ensuring that we're committed to our culture of safety takes dedication and oversight. That's why we maintain a 12-person committee of employees who keep their fingers on the pulse of safety in our organization. They meet monthly to discuss what is working, what isn't working and what we can improve.

We also have multiple employees who have completed the necessary training to become Certified Loss Control Professionals through NRECA and the National Utility Training and Safety Education Association.

However, safety is everyone's job at Baldwin EMC, and employees are encouraged and empowered to speak up when they see something that could jeopardize their own safety or that of their coworkers.

Thanks to sound leadership and a commitment to empowering employees, Baldwin EMC has created a safety culture that surpasses what's required for our industry. And it's paid off. As of September 8, 2018, we've gone an entire year without an accident resulting in lost work time.

[HAND LINE] acts as the linemen's lifeline. Complete with steel clips and a pulley block, this rope, which hangs from a pole's crossarm, is strong enough for any job—from the routine of hoisting equipment to lifesaving missions.

[SECONDARY SAFETY STRAP] prevents the lineman from a fall if he reaches an obstruction while climbing a pole and must disengage his climbing harness.

[CLIMBERS] hold gaffs securely in place on lineman's

boots. Climbers are strapped on just below the knee, with pads providing comfort and support.

[BOOTS] with serrated heels provide a better grip when climbing, and steel shanks in the soles provide extra support on the pole. These boots also have steel or composite toes and are electrical hazard-rated to further protect linemen.

[GAFFS] are strapped to boots for climbing poles. Only the tips dig into the wood,

helping linemen climb more safely and efficiently.

[RUBBER SLEEVES] which cover a lineman's arms and shoulders to prevent injury in case he comes into contact with a live wire.

[BUCKET HARNESS AND FALL PROTECTION LANYARD] worn across the lineman's chest and around his waist, attaches to the bucket to prevent a fall to the ground if the bucket were to collapse.

WORKING TOGETHER FOR RELIABILITY

In 2017, Baldwin EMC's reliability rating was 99 percent.

What does that mean?

Last year, Baldwin EMC members were without power for an average of 53 minutes and 23 seconds for the year. That means power was on for 99.99 percent of the year. These reliability ratings can be attributed to regular right-of-way maintenance, along with a sophisticated system that integrates outage management with our advanced metering infrastructure, allowing us to predict and eliminate the causes of recurring outages.

The outages that did occur in 2017 could be attributed to a variety of causes, with the top 5 being:

1. Trees Coming into Contact with Lines
2. Lightning
3. Animals
4. Equipment Malfunctions
5. Incidents caused by consumers

Some of these culprits, like lightning and animals, really aren't under our control. However, some of them are, and by working together, we can make them less common.

How can you help? If you see trees or any kind of landscaping growing into lines, or if you notice your lights are frequently blinking or brightening and dimming, contact Baldwin EMC so we can look into the issues. Also, please call 811 to reach Alabama's underground line locator service before doing any digging projects.

99%

99%
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TOGETHER



When you received electricity in 2017, there was a little something different about it. You probably didn't notice it when you brewed your morning coffee or turned on the television to watch the evening news. But you were receiving what we like to call "power with a heart."

That's because the people who see to it that electricity reaches your home bring their hearts to work every day. And their passion for improving the quality of life in the community we serve goes beyond just coming to work every day. In 2017, employees used 510 hours to assisted agencies like Catholic Social Services, Baldwin County Special Olympics, Habitat for Humanity and many others.

Throughout the year, employees also teamed up to package and deliver boxes of food for families in need during the Christmas season. They visited local cancer centers to spread well-wishes to the patients and staff. They collected and delivered toys for children of low-income families. They donated blood for local hospitals and coats for kids in the cold.

All of that takes heart, and that's why we're happy to say electricity from Baldwin EMC truly is "power with a heart."

BALDWIN ELECTRIC
MEMBERSHIP FOUNDATION
OPERATION



TOGETHER WE SHOWED OUR HEART

In 2017, the Baldwin Electric Membership Charitable Foundation distributed a total of \$323,479 in grants to individuals and charitable agencies in our local community. This includes \$56,235 in scholarships to current and up-and-coming college students, and \$18,686 to teachers for innovative projects in their classrooms.

We can truly say this is something we did together. That's because every dollar of those totals was made possible by member contributions to Operation Round Up. The average contribution for each member was around \$6. And while that doesn't seem like enough to make an impact, when it's combined with the generosity of tens of thousands of other members who pitch in, it makes quite a difference.

Baldwin EMC brought Operation Round Up to members in 2004. Since then, \$4 million dollars have been poured into our community to help provide wheelchair ramps, healthcare for low-income or no-income families, safe havens for abused children and food for underprivileged members of our community, just to name a few things.

And what makes those contributions even more valuable is the fact that every penny we collected was a voluntary donation from our members.

Among the Operation Round Up Grant recipients for 2017 were:

- South Baldwin Literacy Council
- Ecumenical Ministries, Inc.
- United Way of Baldwin County
- Prodissee Pantry

- AltaPointe Health
- Heroes on the Water, South Alabama Chapter
- Fellowship of Christian Athletes
- University of South Alabama

Operation Round Up is managed by the Baldwin Electric Membership Charitable Foundation Board, which currently consists of Paige Griffin, chairman, Margaret Cooper, vice-chairman, Roberta Mullek, Secretary, Pamela Daniel, treasurer, Mary Jean Barnhill, Cindy Haber, Marvin King, Mary Lou McMillan and John Schell. While it might not be an obvious connection – an electric utility provider doing charitable work – Operation Round Up is a perfect extension of the principles on which electric cooperatives like Baldwin EMC were built: neighbors pitching in to help each other, one penny at a time.

2017 Operation Round Up Donations

ORGANIZATIONS 34.54%



EMERGENCY ASSISTANCE 2.76%



FOOD .86%



SHELTER 13.41%



HEALTH 6.77%



EDUCATION 41.18%



ADMINISTRATION* .48%



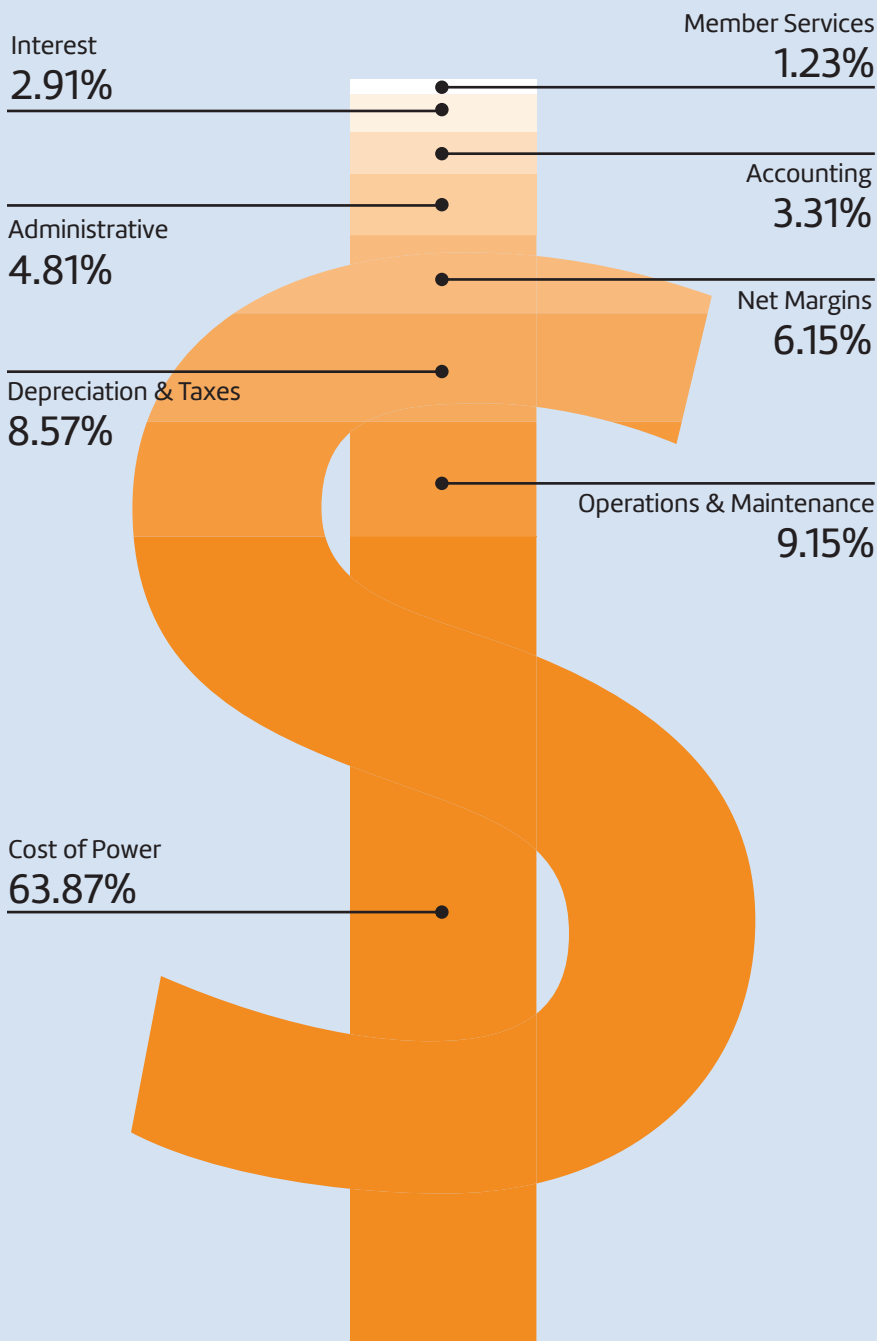
*A small portion of the total funds is retained for the administrative needs of the foundation, including the yearly financial audit.

Together



HOW YOUR DOLLAR WAS SPENT

2017



2017 FINANCIAL REPORT

BALDWIN COUNTY ELECTRIC MEMBERSHIP CORPORATION

This is a condensed version of Baldwin EMC's complete financial report. Any member who wishes to review the full audit report may do so by contacting the chief executive officer.

STATEMENT OF OPERATIONS

	Calendar Year 2017	Calendar Year 2016
OPERATING REVENUES		
Electric sales revenue	\$ 155,104,141	\$ 150,502,844
Other electric revenue	2,256,289	2,184,326
TOTAL OPERATING REVENUES	\$ 157,360,430	\$ 152,687,170

OPERATING EXPENSES

Cost of power	\$ 102,195,510	\$ 99,358,234
Variable expenses	32,631,503	31,596,168
Depreciation	10,677,563	10,424,150
Interest on debt	4,658,576	4,701,720
TOTAL OPERATING EXPENSES	\$ 150,163,152	\$ 146,080,272

MARGINS

Operating margin	\$ 7,197,278	\$ 6,606,898
Capital Credit & Patronage Capital Allocation	2,413,711	2,927,649
Non-operating margin	222,935	192,558
TOTAL MARGINS	\$ 9,833,924	\$ 9,727,105

BALANCE SHEET

ASSETS

Net plant investments	\$ 204,866,654	\$ 199,848,339
Long-term investments	61,099,291	59,144,576
Cash and temporary investments	10,511,469	9,165,765
Accounts receivable	6,104,302	5,590,262
Unbilled revenue	9,689,193	8,301,163
Prepaid power	-	-
Materials and supplies	5,684,325	5,838,688
Other assets	104,359	98,840
Deferred charges	4,581,676	5,435,958
TOTAL ASSETS	\$ 302,641,269	\$ 293,423,591

LIABILITIES AND EQUITIES

Long-term debt	\$ 115,686,706	\$ 122,079,884
Consumer deposits	6,652,225	6,607,065
Accounts payable	1,760,851	1,390,797
Other liabilities	45,033,976	34,789,468
Deferred credits	4,859,127	5,909,675
Memberships	291,020	283,075
Member equity	128,357,364	122,363,627
TOTAL LIABILITIES AND EQUITIES	\$ 302,641,269	\$ 293,423,591



we are paving the way for the future





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This institution is an equal opportunity provider and employer.