

We've got the power



BRUNSWICK
ELECTRIC
Membership Corporation



A Touchstone Energy[®]
Cooperative



2017 ANNUAL REPORT

MANAGER'S MESSAGE



Don Hughes

CEO/General Manager

Brunswick Electric was built by the people we serve, and is continually shaped to better serve you, the membership, and the communities we serve.

One of our primary objectives has been to keep ahead of the tremendous growth our service area is experiencing. In 2017, BEMC grew to more than 75,500 members on our system of 6,742 miles of line covering most of Columbus and Brunswick counties. For perspective, in 1980 we had only 22,000 members served by 3,000 miles of line on our system. During this growth, we've maintained industry-setting standards, including our high reliability rating, which means your power is on more than 99.99% of the time, and achieved excellent fiscal controls to result in an A+ Fitch bond rating that saves you money.

As a cooperative, we provide electric service to our members at the lowest possible cost and share any margins in excess of expenses back with the people we serve. This co-op business model allows for the return of those margins to you in the form of capital credits. Since 2010, BEMC has returned \$22 million to our members, which helps to keep our local economies strong.

Brunswick Electric continues to lead the way on your behalf. Over the years we have seen the advantages of installing power lines underground, and most new lines continue to be installed underground to improve and maintain reliability. Early on, BEMC developed one of the first "pay as you go" power programs, and today, nearly 10,000 members are PrePay Power users. The Bright Ideas Education Grant program, started locally by your cooperative in 1994, continues to meet the needs of many local educators and the program is now offered by every electric cooperative in North Carolina. To date, \$11.5 million has been granted to teachers across the state for K-12 classroom projects, thanks to the vision of Brunswick Electric. Please review this Annual Report and see what your cooperative has achieved over the past 12 months. *Together we've got the power.*

LEADING THE WAY

More than half of Brunswick Electric's 6,742 miles of line are installed underground to ensure reliability during severe weather.



Always responding to members' needs, BEMC developed one of the first "pay as you go" power programs. Our nearly 10,000 PrePay Power users appreciate that the power is in their hands, with no deposit or monthly bill.

Together, we've got the power to positively affect local education. BEMC's Bright Ideas grant program, started by Brunswick Electric more than 25 years ago, is now offered by all electric cooperatives across the state and making a big impact. More than \$11.5 million have been granted to NC teachers for their classroom projects.

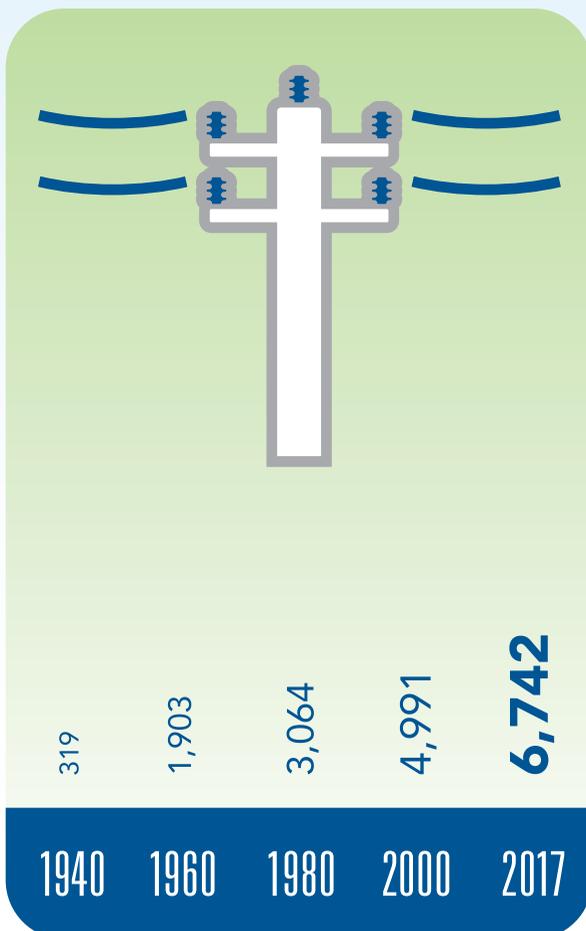
*More than 11,000 projects
benefitting 2.2 million students
began with BEMC in 1994*



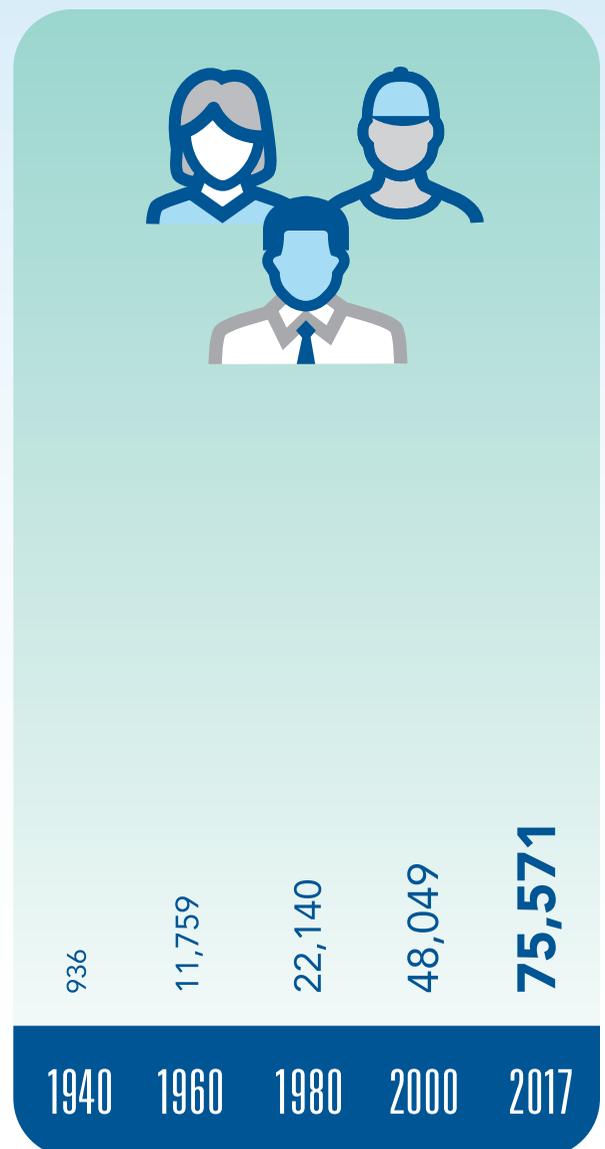
POWERING OUR GROWTH

“ *Rapid growth*
in our service area has required
expert planning and
strong fiscal controls.”

MILES OF LINE



NUMBER OF MEMBERS



kWh USED BY MEMBERS



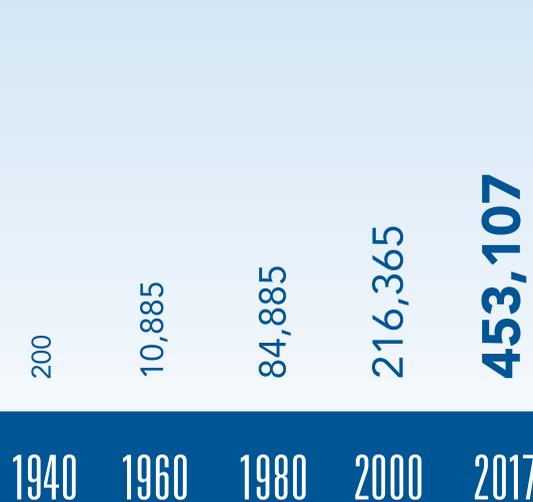
The electric energy delivered to our members



PEAK DEMAND

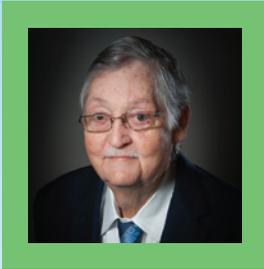


The highest demand, in terms of kW, placed on our system by our members

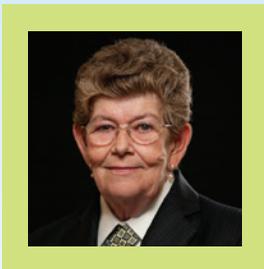


OUR SERVICE AREA

“ We are the *2nd largest* electric cooperative *in the state,* and *35th* in the nation. ”



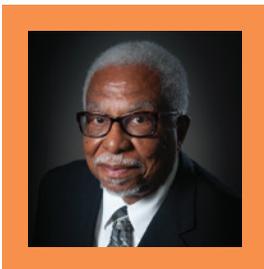
District 1
Jack Miller



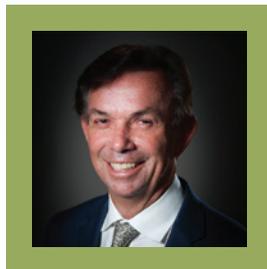
District 2
JoAnn Simmons



District 3
Frederick Tedder
Vice President



District 4
Moses C. Herring
Asst. Secretary/Treasurer



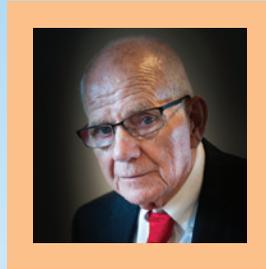
District 5
Larry Fowler



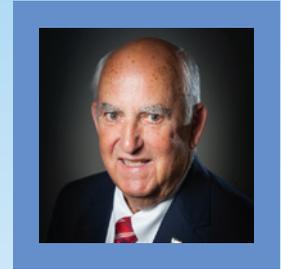
YOUR BOARD OF DIRECTORS



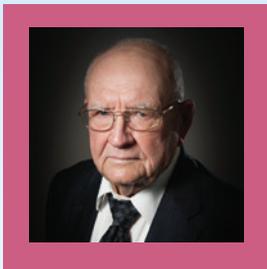
District 6
David Gore
Secretary/Treasurer



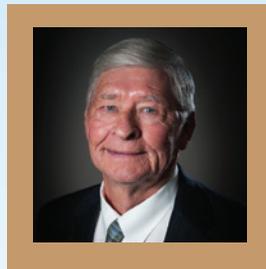
District 7
Hubert Brittain*



District 8
John Kopp



District 9
Bryan Smith*



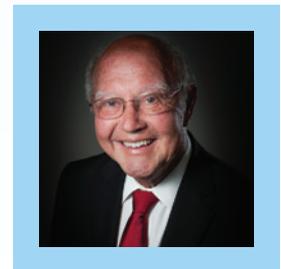
District 10
Calvin Duncan*



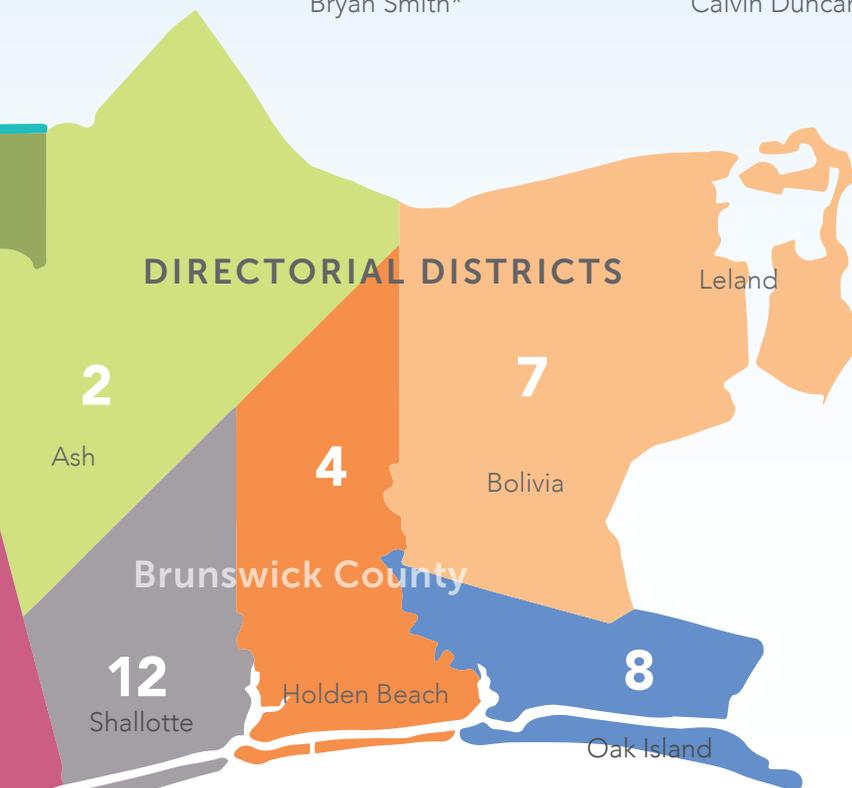
District 11
Dan Strickland, PhD*



District 12
Phillip Cheers



At-Large
Brunswick County
John Ward, DDS
President



*Up for Re-Election

CAPITAL CREDITS

“Putting *money*
back in your wallet.”

Unlike investor-owned utilities that maximize profits to pay dividends to investors, not-for-profit electric cooperatives provide electric service to our members at the lowest possible cost without a profit motive. This business model allows for the periodic return of margins (money left over after all operating expenses have been paid) to our members during specified years in the form of Capital Credits.

YEAR OF RETIREMENT PAYMENTS TO MEMBERS

2017	\$8,221,812 for 1997, 1998
2015	\$3,656,914 for 1995, 1996
2013	\$3,500,615 for 1992, 1993, 1994
2011	\$2,924,615 for 1990, 1991
2010	\$3,763,224 for 1987, 1988, 1989

The 2017 member capital credit allocation amount is \$0.0552798 per dollar billed. The allocation can be estimated on the dollar amount of a member's regular monthly electric service, as billed or prepaid, for the year.

“*Safe, reliable electricity
at the lowest
possible cost.*”

99.99%

THE AMOUNT OF TIME YOUR ELECTRICITY IS ON

Your co-op's diligence in maintaining clear Right-of-Way near power lines and careful operational planning keep our reliability rating consistently high.

#1

SAFETY IS OUR PRIORITY

We always receive the highest ratings on our voluntary, toughest-in-the-industry safety inspections, keeping our insurance rates down.

A+

FITCH BOND RATING

Our strong fiscal controls earn us low interest rates, keeping our costs, and therefore yours, down.

COOPERATIVE HIGHLIGHTS

CUSTOMER SERVICE

- Service reliability percentage of up time was 99.99%
- Fielded 212,709 inbound calls
- Residential member satisfaction survey results averaged 9.18 out of 10
- Activated 2,618 new services in 2017
- Weatherization Loan program provided low-interest loans for energy efficiency projects totaling \$1,139,052

TECHNOLOGY

- Developed customizable web maps and deployed mobile mapping for iPad use in the field
- Replaced physical servers with virtual servers to improve data storage
- Updated Advanced Metering Infrastructure for increased performance and uptime
- Upgraded system speed from 1 Gbps to 10 Gbps for improved performance and productivity
- Improved mobile storm damage assessment capabilities
- Continued to increase cybersecurity safety

POWER SUPPLY, ENGINEERING & OPERATIONS

- Substation Construction
 - Energized two new substation delivery points
- Distribution Construction
 - Shell Point Road re-conductor
 - McMilly Road re-conductor
 - Pinewood Drive re-conductor
- Renewables
 - Completed interconnection of over 1 MW of new solar generation onto BEMC's distribution lines



FINANCIALS

CONDENSED BALANCE SHEETS

	2017	2016
Assets		
Utility plant	\$351,596,376	\$306,930,836
Other property & investments	\$38,760,820	\$35,094,934
Current assets	\$68,322,645	\$82,522,142
Deferred charges	\$3,713,601	\$5,027,848
Total	\$462,393,442	\$429,575,760
Members' Equity & Liabilities		
Members' equity	\$147,539,276	\$144,798,918
Noncurrent liabilities	\$229,672,246	\$237,508,141
Current liabilities	\$31,914,419	\$33,436,806
Deferred credits	\$17,267,501	\$13,831,895
Total	\$426,393,442	\$429,575,760

CONDENSED STATEMENT OF OPERATIONS

	2017	2016
Operating revenues	\$168,173,576	\$164,847,552
Operating expenses:		
Cost of power	\$99,518,874	\$95,538,933
Other variable operating expenses	\$35,484,874	\$34,779,064
Depreciation	\$16,239,065	\$15,426,456
Interest	\$8,013,853	\$7,521,865
Total operating expenses	\$159,256,666	\$153,266,318
Net operating margins	\$8,916,910	\$11,581,234
Net non-operating margins	\$1,448,674	\$769,634
Total Net Margins	\$10,365,584	\$12,350,868



2017 COMMUNITY IMPACT

“*Locally owned and operated, BEMC is committed to improving the quality of life with powerful programs.*”



\$103,742

Together, we've got the power to provide utility assistance to our neighbors in need, funded by matching member donations.



\$33,204

Empowering teachers by funding creative classroom projects that may not otherwise be possible.



\$37,950

Supporting organizations that power change in our community, funded by the equipment auction at our annual membership meeting.



\$10,000

Providing two college scholarships annually to power the future, one in Brunswick County and one in the Columbus County area.