EDEMCO!

DIXIE ELECTRIC MEMBERSHIP CORPORATION

Good

CORPORATE CITIZEN



SAFE, RELIABLE & AFFORDABLE ELECTRICITY Bright FUTURE AHEAD

> ANNUAL REPORT

16

EQUIPPED AND EMPOWERED

=MISSION=

DEMCO

EXISTS TO SERVE OUR MEMBERS

THROUGH PROFESSIONALLY
Trained Employees

PROVIDING

SAFE,

RELIABLE & AFFORDABLE

ELECTRICITY

AS WELL AS OTHER

High-Quality

PRODUCTS

& SERVICES



Principles

DIXIE ELECTRIC MEMBERSHIP CORPORATION







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PRESIDENT'S REPORT

The President's Report is offered to the membership each year as a review of DEMCO's operations and highlights the efforts taken by your cooperative to keep reliable service and stay financially secure.

In 2016 DEMCO saw many challenges and met them as a powerful force and as a cooperative family. The floods that hit our service territory in March and August were damaging to our infrastructure and caused widespread outages, but they did not break our spirit of service to our members. As many members continue to pick up the pieces of their damaged homes and properties, we too continue to serve them as best we can.

Your locally owned electric cooperative continues to bring reliable power to over 108,000 meters on a system that spans seven parishes. This represents a positive growth of membership and service. It is this quality product that will enable your cooperative to grow as it reaches cities, towns and rural communities with the same reliability.

Through this growth and these recent challenges, we will not waver and will continue to bring safe, reliable and affordable power to our members. We look forward to serving future members as our growth continues in our economic development efforts throughout our service territory. As we continue to seek opportunities to serve our members, we are humbled by the opportunity to serve all of our members. As DEMCO continues to grow, we will keep to re-elect me to serve them for another term. Also, the utmost concern for the members we serve.

Moreover, we will continue to utilize a power delivery system that will save our members' money. When we can bring additional accounts and members online, it allows us to keep costs down for all members - new and those who have been served by DEMCO for decades. Each member is important to us.

A review of DEMCO's 2016 system statistics shows a year that dips in sales growth but not in the amount of members served or infrastructure. This strategic



growth allows us to serve where the need is the greatest. DEMCO's kilowatt-hour (kWh) sales went from 2.143.453.882 in 2015 to 2.130.429.844 in 2016.

The number of members billed increased from 106.226 in 2015 to 108.278 in 2016. Total miles of line in operation showed an average of 8,406 miles by the end of 2015, and 8,467 by the end of 2016.

We are honored as your board of directors to represent the membership of DEMCO through 2016. We are also proud of the reactions of so many employees, family and friends who stepped up and made a difference during the great challenges of 2016. We hope to do our small part while we continue to deliver to you the quality service you expect through the delivery of safe, reliable and affordable power that has made this electric cooperative as strong as it is today.

In closing, I would like to congratulate Steve Irving, Dennis Lott and Fave Morris for their re-election to another three-year term to serve the DEMCO members of their respective districts. Moreover, I would like to personally thank the members I have the pleasure of representing in District 10 for choosing it is my pleasure to serve all DEMCO members as the president of the board. In all that matters, we appreciate the support shown to us from the members of this cooperative.

In service,

Richard Sitman, President **DEMCO Board of Directors**



LOUISIANA FLOOD

In 2016, Louisiana faced a devastating flood that rivalled all natural disasters to hit the capital region.

When the torrential rain finally stopped after three long days in August and 31 inches of heavy precipitation had fallen, DEMCO personnel found nine substations substantially damaged, along with sensitive monitoring and switching equipment and miles of underground distribution lines.

Complicating matters was the fact that the roads and streets leading to those substations were impassable due to the flooding. At the peak, roughly 28 percent of more than 108,000 meters lost power.

Despite the challenges, DEMCO was able to restore service to all structures and meters capable of receiving power within one week.

This emergency restoration project was accomplished without a lost time accident and despite the fact that 55 employees experienced flooding of their own homes.





This created an enormous challenge, working to get the lights back on as quickly and as safely as possible while at the same time considering the employees who experienced personal loss of property.

Though DEMCO's headquarters office on Wax Road in Central was spared, the district office in Denham Springs received five feet of flood water. The office is located on Range Avenue near I-12 where the entire commercial corridor was under water. Moreover the district office in Ascension Parish also found itself inundated with water.

This event was different from all the other summer storms, ice storms and hurricanes that DEMCO has experienced over the past several decades. Each event is unique, but the way this flood destroyed so much and impacted every part of our society, was unprecedented and almost unbelievable.

The recovery for both co-op employees and the community at-large has been long and arduous, but DEMCO has worked hard and smart to find its footing and stands ready for the next challenge.



COMMUNITY

Not only is our commitment to community found in our mission statement, it is also found in our actions. The DEMCO family of employees shows our heart by serving the community in a variety of ways. However, most notably during the flood of 2016 and the subsequent restoration of communities that followed, DEMCO and our employees were ever present. Thousands of members were left with a shell of their belongings, and many had nowhere to turn.

As a family of employees, DEMCO came to the aid of our members who were affected by the flood to assist them in any way we could. The cooperative's dedication to the members we serve was evident during this difficult time.

Even after the terrible flood and so many challenges, DEMCO did not waver in its consistent support of communities we serve.







As a primary financial sponsor, DEMCO employees donated, from their personal funds, over \$72,000.00 to the annual Dream Day and Capital Area United Way campaigns. DEMCO shows the utmost respect for individuals who choose to better themselves through higher education. In 2016 DEMCO awarded 12 one-year college scholarships to the children of DEMCO members. Furthermore, DEMCO employees served on the planning committee and cooked for the 2016 Volunteers in Public Schools Annual Picnic as well as the 2016 Young Heroes Award Luncheon.

Through it all DEMCO's commitment to community was stronger than any challenges we faced.





Good Corporate Citizen

SERVICES

The DEMCO Foundation is a non-profit charitable organization providing financial assistance to DEMCO members in their times of need. Individual assistance, college scholarships and emergency assistance are available to members through a confidential process.











As a small business incubator, the Dixie Business Center (located in Denham Springs, Louisiana) offers valuable resources to small businesses in the area. As part of its offerings the incubator offers office space for long or short-term lease.

DISTRICT 1 | ASCENSION PARISH CLARENCE BROCK

DISTRICT 2 | EAST BATCH HOUSE PARISH

DISTRICT 3 | EAST BATON ROUGE PARISH

DISTRICT 4 | EAST BATON ROUGE PARISH

STEVE IRVING

Vice President

DISTRICT 5 | FAST FELICIANA
ALICE FAYE
MORRIS

DISTRICT 6 | PARISH

GLENN DELEE

DISTRICT 7 | LIVINGSTON PARISH

Board of = DIRECTORS =

DEMCO'S BOARD OF DIRECTORS IS COMPOSED OF 13 INDIVIDUALS WHO ARE ELECTED BY THE GENERAL MEMBERSHIP TO REPRESENT THE MEMBERSHIP IN ALL MATTERS PERTAINING TO THEIR ELECTRIC COOPERATIVE.

DEMCO

Each director is elected for a term of threeyears. Elections are alternating allowing four directors to be elected each year with five directors elected every third year. DENNIS LOTT
Secretary / Treasurer

DANIEL P.
BERTHELOT

RICHARD
SITMAN

President

JOSEPH SELF SR.

EUGENE O.
TRAYLOR

FREDDY METZ



OUR EMPLOYEES

Mary Acosta Betty Adams **Justin Andrews** Jake Arledge Hijah Armstrong Wendy Armstrong Andrew Arnold II Marc Aucoin Shinell Aultman Kenneth Bailev Jason Ballard Penny Bates Jeff Bellington Troy Bergeron Jamie Berry Trent Bigner Jeremy Blouin Kenneth Bourgeois Jr. **Brent Bradley Daniel Brooks Chase Broussard** Lori Broussard Julie Burns Luke Butler Grea Carruth Nick Carruth Andv Castello Beau Caston Jr. Todd Chauvin Michael Chiasson Sr. Veronica Claiborne Myra Clark Jamie Coats Kevin Commander Josh Conleay Patricia Courtney Fric Crain Johnathan Crowder **Rickey Cummings** Fred Dabney Sr. Doug Dalgo II Danny Delatte Robert DeLee Jr. Scott DeLee Jenny Desselle Tara Divis Paula Dixon D.J. Doguet Patrick Donohue Michael Doughty Galen Dunbar

Tiffany Dunn

Wade Duplessie Brister Dupont Norman Engler John Ervin II Vince Estes Cade Felos David Fournet Frank Fowler Penny Fruge Cecil Garaudy Cody Glascock Travas Glascock Andv Graham Vernon Graham John Green **Dusty Guarino** Michelle Guidry Stephanie Guidry Lee Guillot Aaron Guitreau Darren Harrell Philip Harris Charles Heine Mystery Hester Orlando Hill Ray Hill Jr. Beverly Hodges Cole Holden Jimmy Holden Avesia Holland Thomas Holland Dante Holmes Austin Hudspeth Warren Jefferson Jeremy Jett David Jewell Andrea Johnson Chanon Johnson Dale Johnson Esha Johnson Toni Johnson Tylar Keefer Thomas Klein Jr. Michael Knight Missy Knoblauch Chad LaCost IV Chad Landry Devin Landry Jan Landry Jake Lane David Latona

Jeff Lea

Kaleb Lee Louis Lee Roman Lee Shawn Little Lorenza Lively Ken Lofton Jared Louque Jeff Lyons Patrick Mansfield Jeff Marino Melvin Martin Chasity McClure Page McClure Theodore McCray Jr. Nicole McMorris Haley Meadows Brian Merritt Pernell Miles Josh Miller Scott Miller Justin Milton Raymond Mizell Yuan Mizell Tiffany Moore Ben Morein Christopher Morrissette Quanika Muse **Chad Norred** Eric Ouber Jacob Overhultz Russchelle Overhultz Phillip Pace Kerri Pagano Jacob Parker Melvin Parker Mike Parker Sr. Lori Peek Kelli Persac Mark Phillips Jr. Gina Pickering **Daniel Poirrier Donnie Prest** Joshua Prestridge Jackie Purvis Jr. Krystal Raymond Matthew Reed Terrie Reed Anita Reviere Nakita Ricard Sandra Richard Sam Rosso

Rachel Roule

Linda Sanders Nick Saucier Asa Scott Arthur Selders Jr. Corey Sharpe Levy Sibley Brandon Simon Kellie Smith Jared Soileau Chuck Spillman Steven Spring Darren St. Pierre Jeremy Starns Wayne Stevenson Larry Stewart Jr. Raymond Stewart Jr. Blake Sullivan Erica Sullivan Patrick Tanner Esther Tapia Agra Templet Marci Templet Craton Templeton Aaron Terrance Mason Thacker Wendy Thibodeaux Richie Thomas **Buddy Thompson III** Russell Todd **Maderis Trout** David Tucker Bianca Tyson Ryan Vandersypen Jimmie Varnado Rhowanda Vessel John Vranic Debra Walker Jeremy Wascom Booker Washington Doug Watson Carl Watts Hannah Watts Carl Westbrook Darrel White Robby White Royland Wicker Caleb Wilkinson Derrick Willis John Woodburn Bodhi Wright Phill Zito

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LARGEST ELECTRIC COOPERATIVE IN LOUISIANA



Fastest
GROWING
COOPERATIVES
IN THE NATION



YEAR IN REVIEW

JANUARY

DEMCO WAS PRESENTED A CERTIFICATE OF APPRECIATION FROM THE WREATHS ACROSS AMERICA PROGRAM.

2016 marked the fifth year the cooperative has supported this effort to honor military veterans by laying a wreath at their gravesites.

FEBRUARY

IT WAS THE PLEASURE OF THE DEMCO COOKING TEAM TO BE INVITED TO SERVE ITS AWARD-WINNING JAMBALAYA TO STUDENTS AND GUESTS OF THE NORTH SHORE TECHNICAL COLLEGE, FLORIDA PARISHES CAMPUS IN GREENSBURG.

The team joined the college in celebrating Community College Day.



MARCH

DEMCO EMPLOYEES
FROM ALL DEPARTMENTS
WERE ON HAND AT
THE CAPITAL REGION
BUILDERS ASSOCIATION'S
2016 BUILDING AND
REMODELING SHOW.

Hundreds of DEMCO members and other participants visited the booth to learn more about the cooperative and its offerings.

APRIL

ON APRIL 18, DEMCO JOINED HUNDREDS OF ELECTRIC COOPERATIVES AROUND THE COUNTRY IN SHOWING APPRECIATION TO ALL LINEMEN FOR NATIONAL LINEMAN APPRECIATION DAY.



MAY

LIVINGSTON PARISH DIRECTOR

DANNY BERTHELOT,

EAST FELICIANA PARISH

DIRECTOR GLENN DELEE,

EAST BATON ROUGE PARISH

DIRECTOR RANDY LORIO,

WEST FELICIANA PARISH

DIRECTOR FREDDY METZ,

AND TANGIPAHOA PARISH

DIRECTOR EUGENE TRAYLOR

ALL RETURNED TO THE

DEMCO BOARD OF DIRECTORS

AS EACH WAS RE-ELECTED

FOR A THREE-YEAR TERM.

JULY

DEMCO WAS HONORED
BY THE ASSOCIATION OF
LOUISIANA ELECTRIC
COOPERATIVES FOR WORKING
749,523 HOURS WITHOUT A
LOST TIME ACCIDENT.

This perfect record has been intact since September of 2014.

JUNE

LOCAL HIGH SCHOOL STUDENTS
JESSICA LITLOFF, SAWYER
WELBORN, JOHN WIESE, AND
KENNEDY WILCHER EACH WON
AN ALL-EXPENSE PAID TRIP TO
WASHINGTON, D.C.

The four were winners in the 2016 DEMCO Rural Electric Youth Tour essay contest and joined other Louisiana winners on this trip of a lifetime.

AUGUST

HISTORIC FLOODING HIT SOUTH LOUISIANA WITH THE BRUNT OF THE FLOOD WATERS TAKING AIM AT THE HEART OF THE DEMCO SERVICE TERRITORY.

Damages were extensive as crews safely returned over 30,000 members back to power within seven days.



SEPTEMBER

THE ENTIRE WORKFORCE AT DEMCO PARTICIPATED IN TRAINING THROUGHOUT THE YEAR; IN SEPTEMBER THEY BECAME CERTIFIED IN CPR AND FIRST AID.

This is just another way we can serve the members and the community.

OCTOBER

DEMCO SUPPORTED AREA YOUTH RUNNERS IN THE BATON ROUGE AREA SPORTS FOUNDATION'S 2016 BATTLEFIELD RUN FESTIVAL.

Hundreds of runners and fans were out in full force to support the physical activity of youth in South Louisiana.





NOVEMBER

DEMCO PRESENTED TO THOUSANDS OF AREA ELEMENTARY STUDENTS A SAFETY PROGRAM THEY WILL NOT SOON FORGET.

"Making Accidents
Disappear" magic show
highlighted how students can
stay safe around electricity.



DEMCO WELCOMED FORMER BATON
ROUGE CITY POLICE CHIEF JEFF LEDUFF
AND HIS OPEN EYES TRAINING AS
EMPLOYEES LEARNED HOW TO BE AWARE
OF DANGERS IN THE WORKPLACE.

This effort by the cooperative's safety department will help protect employees and members alike.

FINANCIALS

ASSETS	2016	2015
UTILITY PLANT ————————————————————————————————————		
Electric Plant in service	\$623,089,844	\$602,226,337
Construction work in progress	25,892,046	17,371,926
Other fixed assets	3,067,780	3,716,876
	652,049,670	623,315,139
Less: accumulated depreciation	(153,209,390)	(144,117,837)
Total utility plant, net	498,840,280	479,197,302
INVESTMENTS AND OTHER ASSETS ———————		
Investments in associated organizations	10,361,588	9,732,292
Notes receivable, long-term portion	<u>64,188</u>	<u>76,037</u>
Total investments and other assets	10,425,776	9,808,329
CURRENT ASSETS ——————————————————————————————————		
Cash and cash equivalents	6,003,864	1,423,759
Current portion of notes receivable	26,922	40,737
Accounts receivable		
Consumers (net of allowance for uncollectible accounts of \$750,000 in 2016 and \$324,779 in 2015)	12,107,975	9,474,738
Unbilled revenue	10,544,805	11,126,594
Other receivables (net of allowance of \$1,209,546 in 2016 and 2015)	6,327,700	2,581,809
Deferred fuel adjustment	833,286	2,163,880
Materials and supplies	4,927,177	6,235,297
Prepaid expenses	967,616	<u>895,301</u>
Total current assets	41,739,345	33,942,115
OTHER ASSETS		
Deferred charges	77,822,591	71,170,841
Intangible, net	800	800
Certificate of deposit-pledged	600,000	600,000
Total other assets	78,423,391	71,771,641
<u>Total assets</u>	629,428,792	\$594,719,387

EQUITIES AND LIABILITIES

LIABILITIES	2016	2015
EQUITIES —	* 470 400	\$440 FFF
Memberships	\$438,400	\$440,555
Patronage	109,719,216	105,959,839
Total equity	110,157,616	106,400,394
LONG-TERM DEBT		
Notes payable, less current maturities	388,989,246	372,072,334
Deferred interest-RUS notes	765,174	1,119,148
Total long-term debt	389,754,420	<u>373,191,482</u>
CURRENT LIABILITIES —		
Current maturities of notes payable	12,971,841	11,484,927
Lines of credit		13,495,524
Accounts payable	29,802,753	13,930,121
Consumer deposits	7,655,112	8,154,847
Accrued interest	2,285,559	682,344
Other accrued expenses and deferred credits	2,173,073	2,100,143
Customer refund	624,336	624,336
Total current liabilities	55,512,674	15,472,242
DEFERRED CREDITS AND OTHER LIABILITIES ————		
Accrued post retirement benefits	68,612,700	58,732,700
Accrued vacation and sick pay	5,391,382	5,922,569
Total deferred credits & other liabilities	74,004,082	64,655,269
Total equities and liabilities	<u>\$629,428,792</u>	\$ <u>5</u> 94,719,387

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DIXIE ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL YEAR ENDED DECEMBER 2016

2016 2015

OPERATING REVENUE ————	\$208,012,458	\$206,898,748
OPERATING EXPENSES		
Cost of power	128,700,467	124,587,290
Cost of sales	15,842	3,682
Distribution-operations	7,978,560	8,065,263
Distribution-maintenance	13,802,072	16,810,080
Consumer accounts	7,139,629	6,529,697
Administrative and general	8,000,603	7,570,239
Depreciation and amortization	18,891,310	18,415,130
Taxes	5,653,555	5,638,282
Other	2,130,337	2,144,159
Total operating expenses	192,312,375	189,763,822
Operating margins before fixed charges	15,700,083	17,134,926
FIXED CHARGES ————————————————————————————————————		
Interest on long-term debt	12,735,361	12,496,163
Other interest	670,752	1,043,305
Total fixed charges	13,406,113	13,539,468
Operating margins after fixed charges	2,293,970	3,595,458
CAPITAL CREDITS	<u>1,178,555</u>	944,222
NON-OPERATING MARGINS		
Interest income	147,437	160,236
Other income (expense)	139,415	<u>61,279</u>
Total non-operating margins	286,852	98,957
Net margins (deficit)	3,759,377	4,638,637
PATRONAGE CAPITAL, BEGINNING OF YEAR	- 105,959,839	101,321,202
PATRONAGE CAPITAL, END OF YEAR	\$109,719,216	<u>\$105,959,839</u>

System Statistics

= TOTAL KWHS SOLD = 2.130.429.844

OFFICE OF SPRENCE - 021

CL200 24UV 38 TYPE C1SX 30TA 1.0KH DERCO CA

\$156.13

AVERAGE MONTHLY REVENUE/MEMBER

TOTAL MILES OF LINE

8,467

MONTH OF SYSTEM PEAK

JUNE

108,278

AVERAGE MEMBERS
BILLED/MONTH

AVERAGE MEMBER/ MILE OF LINE

12.8

= TOTAL KWHS BOUGHT

2,255,069,000

AVERAGE KWHs/MONTH/ RESIDENTIAL MEMBER

1,352

SYSTEM PEAK DEMAND 526MW AVERAGE KWHS/ MONTH/MEMBER

1,640



A Touchstone Energy® Cooperative



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