



Creating Connections Together



2016 Annual Report

Executive Message

In 2016, Lumbee River EMC continued to see the forces of change at work within the electric utility industry.

The expansion of natural gas production through innovation in extraction technologies, such as fracking, continued to have a positive effect on our energy costs. As we assessed this impact, we considered the possibility of reducing electric rates. Unfortunately, as we approached the end of the year, it became apparent that the positive forces reducing our fuel costs were going to be largely offset by negative forces related to the remediation requirements of coal ash here in North Carolina.

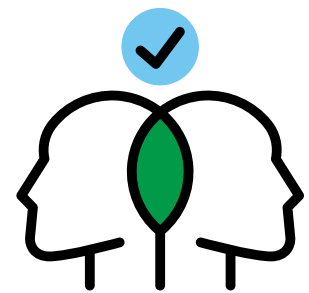
At this time, we are still determining the full impact that coal ash remediation is going to have on our costs; however, it appears Lumbee River EMC's wholesale fuel costs will

increase approximately \$20 million over the next 10 years. While these cost increases are expected to be spread over the entire 10 years, the highest cost increases take effect in year 1 and reduce each year thereafter. To minimize the impact that this new cost will have on you, we have deferred a portion of our revenues from 2016 to use as an offset to these cost increases beginning in 2018. By doing this, we will be able to meet those upcoming known expenses while reducing the pressure on our current rate structure. All this to say that we are confident that we can meet our foreseeable cost increases in 2018 WITHOUT raising your costs for the remainder of 2017 and 2018. We know how difficult it can

be to plan when prices of things such as energy are uncertain so we are doing everything we can to keep those costs as low as possible.

Energy efficiency works

We also are seeing the results of our members' efforts to implement energy efficiency measures. As you see elsewhere in this report, we have been fortunate enough to continue to grow in the number of active services, going from 54,813 in 2010 to 59,808 in 2016. At the same time, we have seen a decline in the total number of kilowatt-hours (kWhs) we are selling, dropping from 1,242,055,406 in 2010 down to 1,213,099,555 in 2016. Some of this drop is attributable to





mild weather. Weather changes could explain some year to year variances, but the trend in lower energy usage is more than just weather – we are seeing the average household energy usage drop consistently year after year. You, the member, are doing your part in reducing your burden on the environment through changes in your homes like implementing more efficient HVAC systems, new Energy Star appliances, lower wattage light bulbs and generally much better energy efficiency in all new construction.

Safety rules

Our employees continue to perform their jobs in a very safe manner. As of the end of 2016, our employees have

completed 683,692 hours worked without a lost time accident. This effort is very important to your cooperative. The safety of our employees, our members and the general public are always first and foremost in everything we do. In addition to the obvious impact safety has on individuals and their families and friends, it also is helpful in keeping our insurance costs under control.

Bottom line

Coal ash compliance issues and the decline in kWh sales continue to create financial challenges for the cooperative, but the Board of Directors, management team and employees of Lumbee River EMC are prepared to

meet those challenges and use them to drive future opportunities that will benefit the cooperative, and therefore you. Our focus continues to be on bringing an enhanced quality of life for our members and the communities where we live and work.



Steven C. Hunt,
President & CEO



Roger Oxendine,
Chairman,
Board of Directors

Meeting Minutes

Lumbee River Electric Membership Corporation

Minutes of the 2016 Annual Meeting of the Members, November 1, 2016

Pursuant to due notice thereof, the 76th Annual Meeting of the Members of the Lumbee River Electric Membership Corporation was held at the University of North Carolina at Pembroke, Givens Performing Arts Center, beginning at 1:00 p.m. on Tuesday, November 1, 2016.

- Registration and voting commenced at 1:00 p.m. and ended at 7:30 p.m.
- Attorney Arlie Jacobs called the meeting to order and welcomed the members to the meeting. Mr. Jacobs introduced Reverend Horace Oxendine of Gray Pond Baptist Church to give the invocation.
- Attorney Jacobs introduced Mr. Joshua Malcolm, General Counsel for the University of North Carolina at Pembroke, who welcomed everyone to the university campus.
- Attorney Jacobs introduced Secretary Erice Locklear who read the Proof of Mailing for the Annual Meeting Notice and reported a quorum was present. Mr. Locklear reported on October 21, 2016, the Corporation did place 52,128 Annual Meeting member notices in the United States mail with postage thereon duly paid. A copy of the proof of mailing is incorporated herein by reference, made a part of these minutes, and is available for inspection in the Minutes Book of the Corporation.
- Attorney Jacobs called for the approval of the October 15, 2015 Annual Meeting minutes. Upon a motion duly made and seconded, the membership waived the reading of the minutes of the 2015 Annual Meeting of the Members.
- Attorney Jacobs reported that according to Section 5.05 of the Cooperative's Bylaws, candidates are placed into nomination in one of two ways: (1) nomination by the Nominating Committee; and (2) nomination by petition containing at least fifteen (15) or more members' signatures so nominating the interested members. Attorney Jacobs reported that the cooperative had received one (1) valid petition for nomination, placing into nomination Kernice Locklear for District 5.
- Ms. Sherry Carter presented the report of the Nominating Committee, placing into nomination the following names in the following districts:

District 2

Roger Oxendine

District 5

Madie R. Locklear

District 5

Ilene Oxendine

District 6

James Hardin

- Attorney Jacobs reported that Mr. James Hardin for District 6 withdrew his name from nomination after the Nominating Committee met.
- President & Chief Executive Officer, Steven C. Hunt, recognized special guests and gave a special thank you to Eddie Carter and Family and to the Pierce Family for providing entertainment and, also to the University of North Carolina at Pembroke for the use of their facility.
- Attorney Jacobs introduced Mr. Roger Oxendine, Chairman of the Cooperative's Board of Directors, who gave an audiovisual presentation of his report to the membership. A copy of his presentation is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
- Mr. Steven C. Hunt, President & Chief Executive Officer presented his annual presentation to the membership. A copy of the presentation is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
- Attorney Jacobs opened the floor for comments and questions. General comments and testimonies about Hurricane Matthew from members were provided. Kudos were also given to the employees, President/CEO and Board for their efforts during Hurricane Matthew. At the conclusion of comments from the floor, Attorney Jacobs closed the open forum of the program.
- Attorney Jacobs introduced Mr. Timothy Locklear, who conducted the drawing and awards of the door prizes and power credits.
- After the drawing of the prizes, the 2016 Annual Meeting of the Members was proclaimed adjourned.
- The 2016 Annual Meeting of Members registered 3,118 members. A file of each member registered is available with these minutes, incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.



Roger Oxendine,
Chairman, Board of Directors



Eric Locklear, Secretary

Board of Directors



District 2
Roger Oxendine,
Chairman



District 6
Wyatt Upchurch
Vice Chairman



District 3
Eric Locklear
Secretary



District 6
Rory Eddings
Treasurer



District 1
Herbert Clark



District 3
Ronald Hammonds



District 4
Jarette Sampson



District 5
Illene Oxendine



District 5
Madie Locklear



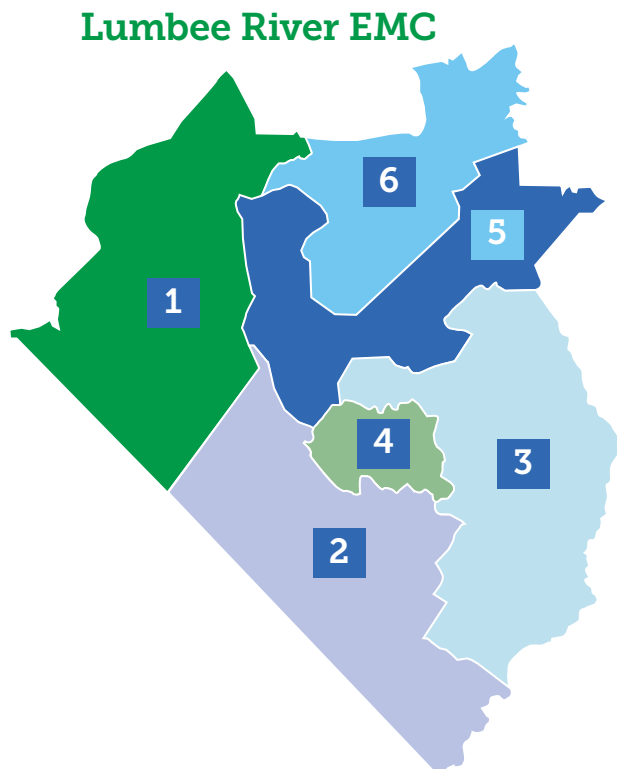
District 5
Spencer Locklear



District 6
Jacqueline Hunt Chavis

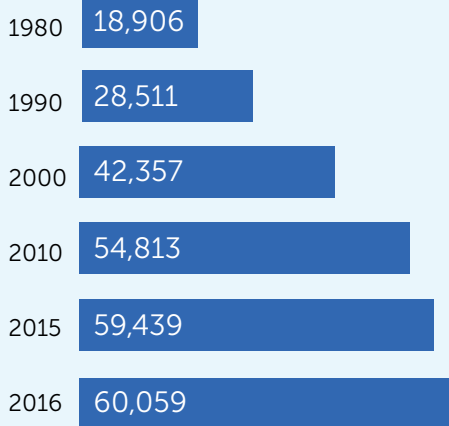


District 6
William Hollingsworth

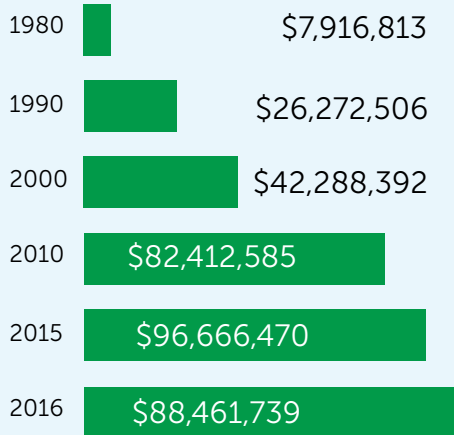


2016 Financial Reporting

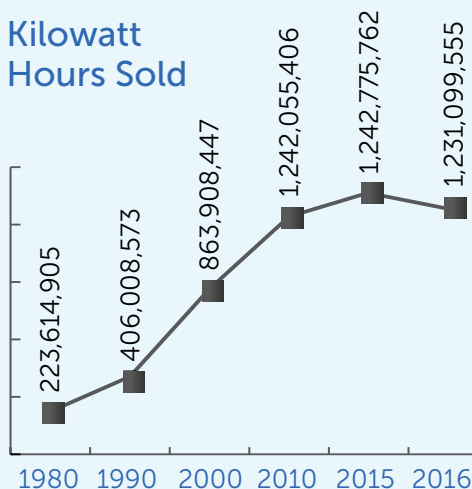
Active Services



Cost of Power



Kilowatt Hours Sold



Balance Sheet as of December 31

	2016	2015
(Consolidated)		
Assets		
Utility Plant	\$ 212,813,017	\$206,005,162
Investments	38,691,282	34,503,404
Current Assets	49,675,243	52,060,736
Deferred Charges	<u>2,716,152</u>	<u>3,162,940</u>
Total Assets	<u>\$303,895,694</u>	<u>\$295,732,242</u>
Equities and Liabilities		
Membership Fees	\$ 521,410	\$ 515,660
Accumulated Comprehensive Loss	(3,230,000)	(3,153,200)
Patronage Capital	104,911,250	104,148,399
Other Equities	<u>14,743,935</u>	<u>11,037,191</u>
Total Equities	<u>116,946,595</u>	<u>112,548,050</u>
Long-Term Debt	131,416,367	138,006,855
Current Liabilities	22,672,601	23,289,612
Deferred Credits	<u>32,860,131</u>	<u>21,887,725</u>
Total Equities and Liabilities	<u>\$303,895,694</u>	<u>\$295,732,242</u>

Summary of Financial Performance

	2016	2015
(Consolidated)		
Operating Revenue	\$126,039,720	\$135,560,806
Operating Expenses	119,492,773	126,290,601
Interest Expense	4,981,699	5,491,146
Net Margins	8,932,013	8,608,463
Net Plant	212,813,017	206,005,162
Total Assets	303,895,694	295,732,242
Member Equity	\$116,946,595	\$112,548,050

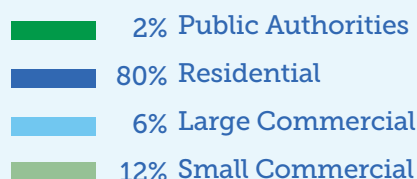
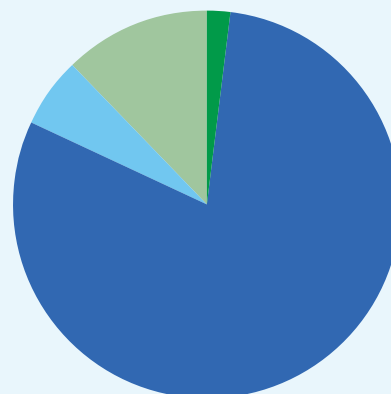
Operating Statistics

	2016	2015
Total Active Services	60,059	59,439
Kilowatt-Hours Sold	1,231,099,555	1,242,775,762
Miles of Line	5,794	5,759
Estate and General Retirements	\$ 4,509,008	\$ 4,486,375
Number of Employees	119	115
Cost of Power	\$ 88,461,739	\$ 96,666,470

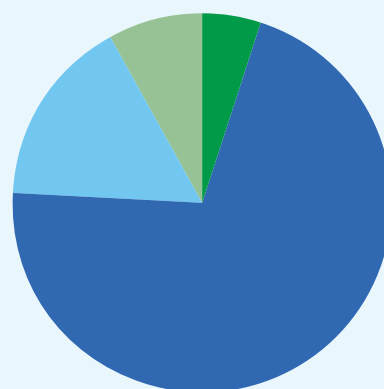
Statement of Operations & Patronage Capital

	2016	2015
(Consolidated)		
Operating Revenue	\$126,039,720	\$135,560,806
Operating Expenses		
Cost of Power	88,461,740	96,666,470
Transmission Expense	0	7,582
Distribution—Operation	2,355,450	2,640,181
Distribution—Maintenance	4,204,712	4,108,550
Consumer Accounts	3,549,220	3,759,608
Consumer Service	1,621,924	1,074,972
Administrative and General	<u>7,809,253</u>	<u>8,157,964</u>
Total Operating Expenses	<u>\$108,002,299</u>	<u>\$ 116,415,327</u>
Other Expenses		
Depreciation and Amortization	\$ 9,772,180	\$ 8,263,407
Taxes	1,718,294	1,611,867
Interest Expense	<u>4,981,699</u>	<u>5,491,146</u>
Total Other Expenses	<u>16,472,173</u>	<u>15,366,420</u>
Total Expenses	<u>124,474,472</u>	<u>131,781,747</u>
Operating Margins	\$ 1,565,248	\$ 3,779,059
Non-Operating Margins		
Patronage Allocations	\$ 3,502,931	\$ 2,501,975
Interest Income	1,523,948	1,457,371
Income from Equity Investments	2,303,613	1,955,662
Other	<u>36,273</u>	<u>(1,085,604)</u>
Total Non-Operating Margins	<u>7,366,765</u>	<u>4,829,404</u>
Net Margins	<u>\$ 8,932,013</u>	<u>\$ 8,608,463</u>
Consolidated Statements of Comprehensive Income		
Net Margins	\$ 8,932,013	\$ 8,608,463
Other Comprehensive Income (Loss)		
Net Gain (Loss) During Period	(96,100)	104,600
Amortization of Net Loss	198,500	195,724
Prior Service Credit	<u>(179,200)</u>	<u>(179,200)</u>
	<u>(76,800)</u>	<u>121,124</u>
Comprehensive Income	<u>\$ 8,855,213</u>	<u>\$ 8,729,587</u>
Patronage Capital—		
Beginning of Year	\$112,548,050	\$107,954,125
Margins	8,932,013	8,608,463
Retired Patronage Capital	(4,462,418)	(4,141,807)
Other Comprehensive Income	(76,800)	121,124
Transfers and Other Changes	<u>5,750</u>	<u>6,145</u>
Patronage Capital—End of Year	<u>\$116,946,595</u>	<u>\$112,548,050</u>

Electric Revenue



Allocation of Expense





LUMBREE RIVER EMC

605 East Fourth Ave.
Red Springs, NC 28377
(910) 843-4131
1-800-683-5571