

Report of the Chairman and President for 2016



Jeannette S. Everett
CEC Chairman

2016 — Last year was another successful one for your Cooperative. Collectively, we continued our hard work to accomplish our goals and, in doing so, focused on our mission statement: “To safely provide our members exceptional, courteous, and reliable services at a competitive cost.” As we often communicate to all Community Electric Cooperative (CEC) stakeholders, we are not in the “power business” but rather the

“people business.” As a team, we strive to consistently place our attention on four main points: Safety, Reliability, Member Satisfaction and Financial Accountability. For us, it is all about the member!

Safety — Safety is always a major consideration for CEC and remains duly recognized as THE top priority. In 2016 we maintained recertification as a safety-accredited cooperative through the National Rural Electric Cooperative Association (NRECA). We are very proud of this achievement and will work diligently to raise the bar even higher next year! We also enhanced both internal and external safety educational programs, and for the third year running, we enriched our team-member training initiatives through participation in the Gaff-n-Go Lineman’s Rodeo.

Reliability — The Cooperative experienced four major events throughout the year of 2016, including Hurricane Matthew, that affected 57.9 percent of our membership. These events averaged four outage hours per consumer. Power-supplier outages averaged 1.5 hours per consumer. The distribution-system problems averaged 2.3 hours per meter, making power available 99.974

percent of the time. Trees continued to be the biggest cause of outages, contributing to 45 percent of outages in 2016.

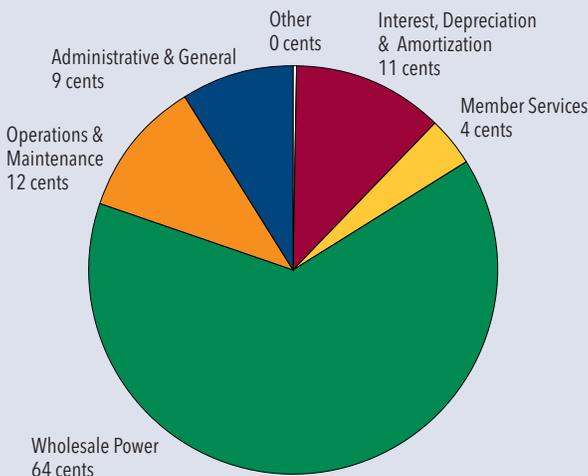
Additionally, we completed year two of our three-year Construction Work Plan (CWP) that included: replacing selected line-section conductors; turning up the new Automated Metering Infrastructure (AMI) network (installing new meters); and integrating these tools into our Outage Management System, which has proven to be great technology that will support CEC for many years to come. Our engineering department has also completed preliminary designs for the soon-to-be-constructed Copeland Substation in Suffolk. And, for the second time in as many years, our operating and maintenance accounts came in under budget.



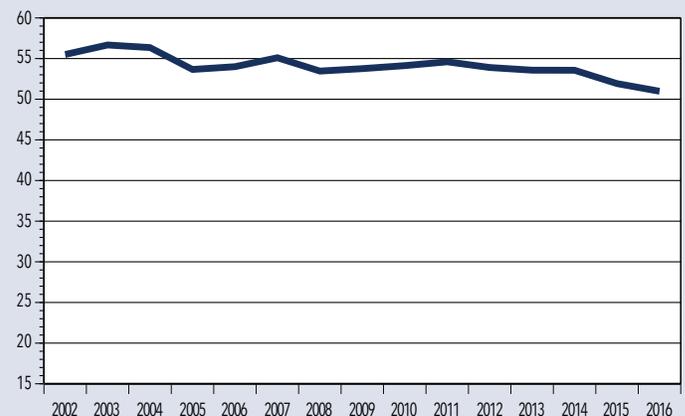
Steven A. Harmon
CEC President

Member Satisfaction — Favorable service-reliability numbers, along with our stable rate structure and team-member responsiveness, led to a very high level of member satisfaction for your Cooperative. We determine this by asking questions of our members during normal business hours, after hours and anytime we are engaged in Cooperative business. Basically, we listen to you, the member/owner. Your feedback is crucial to us in measuring this objective. Furthermore, during the spring of 2016, we partnered with Touchstone Energy® Cooperatives to deploy a Member Satisfaction survey. Many of you were contacted as part of this survey, and we appreciate your help by answering the survey questions. The results of this survey indicated an 86-percent approval rating; the highest among all Virginia cooperatives, as well as those nationally! We are very proud of this score and will strive to make it even higher in the future. Remember, we are your Cooperative and work not only to meet, but to exceed your membership-experience expectations.

WHERE DOES THE COOPERATIVE DOLLAR GO?



COOPERATIVE EQUITY LEVEL



Financial Accountability — In 2016 CEC and its subsidiary, Tidewater Energy Services, LLC (TES), had another financially successful year. Community Electric Cooperative earned a profit of \$451,451 and Tidewater Energy Services earned a profit of \$881,987. Combined, the net profit was \$1,333,438.

With the outstanding success of TES, we saw several positive effects upon the financial affairs of both entities. You may recall that in April of 2015 Community Electric Cooperative culminated its efforts with CFC to refinance existing debt from other lenders. The move will result in interest-expense savings of more than \$2 million, and makes the distribution cooperative a 100-percent CFC borrower — the first in the Commonwealth of Virginia. In December of 2016 TES was able to declare, and pay for the third consecutive year, a dividend (\$250,000) to the Cooperative. Many of the additional financial highlights are shown below for your review.

Capital Credits — In recognition of our strong financial position, the board of directors approved a continuation of the Cooperative's practice of refunding capital credits on a meaningful basis. During 2016, capital credit refunds were made on a general basis of \$545,440 and to estates in the amount of \$53,922, bringing the total refunded during 2016 to \$599,362. These 2016 refunds brought the cumulative amount refunded by your Cooperative, since its inception, to an amount in excess of \$17.9 million. In the near future your board of directors will review the Cooperative's current financial position and a projection of its financials through 2017 and give consideration to an additional general refund of capital credits to be accomplished later in the year.

Annual Meeting — Community Electric Cooperative's Annual Meeting will be held, as it was last year, at the Georgie D. Tyler Middle School in Windsor. The meeting will take place at 7 p.m., Aug. 15, 2017. The Cooperative's Annual Meeting is a great opportunity for members to exercise their right to vote and have a voice in the operations of their Cooperative. The Cooperative operates on a not-for-profit basis and it is critically important that its membership remain engaged and participate in Cooperative

business. The board of directors and staff of the Cooperative earnestly solicit your participation in the director-election process and other business matters that may come before the membership. If your schedule will permit, please plan to join us this year at the Cooperative's Annual Meeting. During the annual meeting event there will be reports from the Cooperative leadership, a business session, entertainment provided by "Opry Boys Quartet" and, as always, enjoyable refreshments.

Respectfully submitted,



Jeannette S. Everett,
Chairman



Steven A. Harmon,
President and CEO

2016 FINANCIAL HIGHLIGHTS

(CEC and TES – Consolidated)

- The CEC/TES consolidated balance sheet grew by 5.2 percent to \$54,153,000.
- The electric plant amounted to 51.43 percent of total assets.
- The portion of assets provided by members (equity section) declined from 49.7 percent to 48.8 percent.
- CEC/TES consolidated operating expenses decreased by 3.98 percent to \$24,485,000.
- CEC/TES consolidated operating revenues decreased by 4.31 percent to \$25,589,000.
- Our operating margins before patronage allocations declined by \$138,000 to \$1,104,000.
- Our net operating margin was \$1,333,438.
- Our cash flow was adequate to handle all of the consolidated needs.



**Community Electric
Cooperative**

A Touchstone Energy® Cooperative 

Our Mission: To safely provide our members exceptional, courteous, and reliable services, at a competitive cost.

TREASURER'S REPORT as of December 31, 2016

Operating Report

	2016	2015
OPERATING REVENUE	\$25,589,037	\$26,742,004
Purchased Power	15,742,492	17,236,412
Operating & Maintenance Expense	2,922,998	2,670,222
Administrative & General Expense	3,115,740	3,082,533
Depreciation & Amortization Expense	1,849,614	1,756,851
Other	124,514	30,934
Interest on Long-Term Debt	729,195	722,205
TOTAL OPERATING EXPENSES	\$24,484,553	\$25,499,157
OPERATING MARGINS	\$1,104,484	\$1,242,847
Non-Operating Margins – Interest & Other	(224,246)	(426,830)
Patronage Capital Allocated from Associated Organizations	453,200	349,513
NET MARGINS	\$1,333,438	\$1,165,530

Balance Sheet

ASSETS (OWNED)

Electric Plant in Service	\$49,544,612	\$48,091,398
Non-Utility Property	4,473,778	4,793,987
Accumulated Depreciation	(21,695,922)	(20,833,746)
Cash on Temporary Investments	1,964,645	1,128,142
Investments in Associated Organizations	11,270,556	11,048,609
Accounts Receivable	4,074,766	2,911,222
Material & Supplies	2,808,379	2,101,881
Other Assets	1,711,942	2,222,547
TOTAL ASSETS	\$54,152,756	\$51,464,040

EQUITIES and LIABILITIES (OWED)

Memberships	\$55,580	\$55,480
Patronage Capital and Other Equities	26,359,059	25,521,720
Long-Term Debt	19,600,478	18,829,511
Line of Credit	2,950,000	2,600,000
Accounts Payable	1,710,830	1,416,141
Consumer Deposits	621,777	565,931
Other Liabilities	2,855,032	2,475,257
TOTAL EQUITIES and LIABILITIES	\$54,152,756	\$51,464,040

Respectfully submitted,
DIANA F. BEALE,
SECRETARY-TREASURER

OFFICIAL NOTICE



COMMUNITY ELECTRIC COOPERATIVE NOTICE OF ANNUAL MEETING

The Annual Meeting of the Members of Community Electric Cooperative will be held at Georgie D. Tyler Middle School, North Court Street, Windsor, Virginia, on Tuesday, Aug. 15, 2017, at 7 p.m. to take action on the following matters:

1. Reports of Officers, Directors, and Committees;
2. The election of three (3) directors of the Cooperative; and
3. Transact all other business that may come before the meeting or any adjournment thereof.

In accordance with the Bylaws, the Nominating Committee nominated the following candidates for directors for a three (3) year term to be voted upon by the membership:

CITY OF SUFFOLK
Chad N. Fowler

ISLE OF WIGHT COUNTY
John T. Butler, Jr.

SOUTHAMPTON COUNTY
John W. Stewart

— Diana F. Beale, Secretary-Treasurer

ANNUAL MEETING PROGRAM

1. Drawing of Early-Bird Prizes
2. Meeting Called to Order
3. Determination of Quorum
4. Reading of Notice of Meeting and Proof of Mailing
5. Reading of Minutes of Last Meeting
6. Reports
 - A. Chairman's Report
 - B. Treasurer's Report
 - C. President's Report
7. Introduction of Present Board of Directors
8. Election of Directors
 - A. Report of Nominating Committee
 - B. Report of Nominations by Petition
9. New Business
10. Entertainment — Opry Boys Quartet
11. Drawing of Door Prizes
12. Refreshments
13. Adjournment