

Cumberland Electric Membership Corporation

CEMC Management and Staff

Chris A. Davis, General Manager

David Abernathy,
Engineering and Operations
Division Manager

Annebelle Chester,
Administrative Division Manager

Mark T. Cook, P.E.,
Broadband Manager

Michael Blackwell,
District Operations Manager

Jonathan Fielder,
Engineering Services Manager

Seth Roberts,
Member Services Manager

Brad Taylor,
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District Managers:

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Josh Gill,

Clarksville office

Kenny Davis,

Dover office

Bobby Joiner,

Gallatin office

Travis Akins,

Portland/White House offices

Scott Brown,

Springfield office

Chad Crabtree

CEMC Board of Directors

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Sumner Co., President

Wesley H. Aymett,
Cheatham Co., Vice President

Shela K. Williams,

At Large, Secretary-Treasurer

K. Jean Beauchamp, Robertson Co.,

Assistant Secretary-Treasurer

Charles R. Hancock, Stewart Co.

Michael A. Mason, Robertson Co.

C. David Morgan, Montgomery Co.

Edward L. Oliver, Montgomery Co.

Joe H. Whitaker, Sumner Co.

Mission Statement

Cumberland Electric Membership Corporation is committed to meeting the needs of our membership by delivering safe, affordable and reliable services the cooperative way.

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Between the Lines

News from your community

Connecting you to your best life

For more than 80 years, Cumberland Electric Membership Corporation has powered our communities with safe, affordable and reliable electric service. We're proud to provide this essential service to our members in Cheatham, Montgomery, Robertson, Stewart and Sumner counties.

We started in 1938 with 610 members and 100 miles of electric line. Today we serve more than 100,000 homes and businesses with 8,000 miles of line and more than 30 substations.

With the passage of the 2017 Tennessee Broadband Accessibility Act, CEMC added another essential service — broadband. In today's world of working and going to school from home, streaming television, telemedicine and other services, broadband is as essential as any other utility. Communities without fast internet will be left behind.

Our board created Cumberland Connect, a wholly owned subsidiary of CEMC. Our mission over the next five to six years is to deploy the infrastructure to bring broadband service to every home and business we serve.

This year's annual report, covering fiscal year 2020 (July 1, 2019, through June 30, 2020) looks at our growth and accomplishments over the past year.

Through our history of connecting our members to electricity and through our newest service of high-speed internet, we are *connecting you to your best life*.



By Chris A. Davis
*General Manager,
Cumberland Electric
Membership
Corporation*

Cumberland Electric Membership Corporation will be closed for the Christmas and New Year's holidays on Thursday and Friday, Dec. 24 and 25, and Friday, Jan. 1. In the event of an emergency, CEMC personnel will be available by calling 1-800-987-2362.

Merry Christmas and Happy New Year!



Your Touchstone Energy® Cooperative
The power of human connections



Connecting you to your best life

2020 Annual Report



Pursuing safe, reliable and affordable service

Providing our members with safe, cost-efficient and reliable electricity is why we exist. Throughout fiscal year 2020, we continued to upgrade our system from 12 kV to 25 kV voltage. The purpose of converting our system to the higher voltage is to reduce line loss and voltage drop and to improve overall reliability. The work included completing the conversion of ...

- ◆ 29.6 miles of line from 12 kV to 25 kV in the Heads Church Road area of Robertson County with an investment of \$1.32 million.
- ◆ 16.4 miles of line in the New Cut Road area of Robertson County. Investment: \$624,000.
- ◆ 20.1 miles of line in the Garrettsburg Road area of Montgomery County. Investment: \$927,000.

- ◆ 30 miles of line in the Greenbrier area of Robertson County. This project is ongoing; total investment not yet available.

As of August 2020, 86.3 percent of CEMC's distribution is operating at 25 kV.



Linemen Myles Nelson and John Wilson adhere to strict safety measures as they work on an electric line.

Vegetation management plays a key role in providing reliable electric service. CEMC is responsible for maintaining right-of-way for about 112 miles of transmission line and 6,500 miles of overhead distribution line that provide electricity to more than 100,000 members in our five-county service territory.

The vegetation management program consists of tree trimming, tree removal, stump grinding, bush hogging and the foliar application of herbicide to woody vegetation. CEMC

alternates the use of right-of-way trimming and cutting with herbicide application to maintain our rights-of-way on a five- to six-year rotation.

All subcontractors are fully licensed and insured; we consider them an extension of our workforce. All herbicides applied directly to woody, unmaintained vegetation are registered with the EPA and pose no threat to humans, animals or pollinators.

At CEMC, nothing is more important than safety. The coronavirus pandemic saw us add another layer of safety practices to our already stringent procedures. We continue to follow state and local directives for closing, opening and operating our offices; require our employees and visitors to wear masks and practice social distancing; encourage no-contact account management; and even cancelled the annual meeting in October. We appreciate the patience and support of our members during this trying time.

2020 CEMC director election results

Joe H. Whitaker of South Sumner County was re-elected to serve a new three-year term on Cumberland Electric Membership Corporation’s board of directors during the cooperative’s two-day director voting event held Oct. 9 and 10 at each CEMC office.

Charles Hancock, North Stewart County; Edward Oliver, North Montgomery County; and Shela Williams, Director At Large, each of whom ran unopposed, will also begin new three-year terms.

Visit us online at cemc.org to view the full 2020 Annual Report of Cumberland Electric Membership Corporation and a list of members who won bill credits by participating in this year’s director election voting process.

Cumberland Electric Membership Corporation

Statistical Information

	2018	2019	2020
Member Count	98,453	100,519	103,456
Long-Term Debt	\$119,101,805	\$120,178,564	\$120,292,052
Interest Paid	\$4,439,832	\$4,208,370	\$4,408,012
Total Kilowatt-Hours Sold	2,686,873,206	2,771,279,633	2,697,304,669
Average Monthly Residential Kilowatt-Hour Consumption	1,533	1,486	1,461
Members per Mile	12.4	12.6	12.8
Miles of Line	7,919	8,007	8,099
Plant Investment per Member	\$4,547	\$4,587	\$4,781
Wholesale Power Cost as % of Electric Sales Revenue	75%	75%	72%

Auditor’s Statement

Cumberland Electric Membership Corporation’s financial statements are audited by the firm of Stone, Rudolph & Henry, PLC. Copies are available online at cemc.org.

Connecting you to your best life

Giving members access to the world with high-speed fiber internet services

We believe it's time that all of our members have access to high-speed, fiber internet services. High-speed internet is more than a utility; it is critical to the advancement of our communities and now, more than ever, an essential part of our everyday lives.

With the passage of the 2017 Tennessee Broadband Accessibility Act, CEMC formed Cumberland Connect, a wholly owned, nonprofit broadband subsidiary, in May 2019. Once completed, our powerful, innovative fiber optic network will provide access to gigabit-speed fiber internet, phone and video services to all eligible CEMC residential and business members.

We have completed our first exciting year of a projected five- to six-year, multiphase network buildout to bring these essential services to all our eligible CEMC members. After the initial months of

preparation, fiber construction officially began in November 2019, and in May 2020, we celebrated our first CCFiber subscribers.

While completing Phase I of our fiber network buildout, we added 20 Broadband Division employees as we worked diligently to expand our fiber network as quickly as possible. When completed, Phase I will include more than 1,400 miles of fiber fed from nine CEMC substations that will pass more than 16,500 locations.

Fueled by passion and excitement to bring world class services, including access to gigabit-speed internet, to our members, we look forward to the expansion of our fiber-to-the-home network. We appreciate your patience and ongoing support while we work to construct our network, bringing access to Cumberland Connect fiber services to our members throughout our five-county service area.

Notice to electric system consumers of investment in commercial broadband

Cumberland Electric Membership Corporation requested authorization from its regulator, the Tennessee Valley Authority, to invest electric system funds in its commercial broadband division. This notice is being provided to Cumberland Electric Membership Corporation's members pursuant to TVA's regulatory transparency requirements.

Previously, Cumberland Electric Membership Corporation filed an application with TVA requesting authorization to invest its electric system funds in its broadband division, Cumberland Connect LLC. Specifically, Cumberland Connect LLC will use electric system funds to finance the deployment of broadband equipment and startup its commercial broadband business in its service territory over multiple years.

The total combined fiber investment for electric and commercial broadband purposes is projected to

be \$200 million. Of this amount, the Cumberland Electric Membership Corporation plans to loan \$41.4 million to Cumberland Connect LLC for commercial broadband purposes. Per TVA requirements and conditions of TVA's authorization, Cumberland Connect LLC is required to repay Cumberland Electric Membership Corporation for the electric funds being loaned to it for commercial broadband purposes. It is estimated that the total investment for both electric and commercial broadband will not have rate impacts that result in any annual incremental bill impacts.

Any questions regarding this broadband investment should be directed to Cumberland Electric Membership Corporation, General Manager Chris A. Davis, Post Office Box 3300, Clarksville, TN 37043-3300; 931-645-2481; or cdavis@cemc.org.

Advancing our communities

Just as we understand the importance of high-speed internet to the future of our communities, we also understand the need for good jobs, strong schools and leadership development.

For example, we work with our local chambers of commerce, the state Department of Economic and Community Development and TVA to strengthen our local industries and attract new industries and jobs to our service territory.

We partnered with TVA to donate \$70,000 toward COVID-19 assistance at seven local assistance agencies. Nonprofits receiving funds were Gallatin C.A.R.E.S., Good Samaritan of Stewart County, Portland C.A.R.E.S., COPE of Robertson County, White House Hope Center, Bethesda Center of Ashland City and Urban Ministries of Clarksville.

Our youth programs include the annual short story writing contest and the winners' trip to Washington, D.C. This year, the trip was cancelled because of COVID-19 fears, but each of the 12 students selected for the trip received a \$1,000 college scholarship. We also participated in career days and safety programs at elementary schools.

Our community outreach includes sponsoring community events in each of our counties. These

annual events include Experience Robertson County, the Portland Strawberry Festival and Eagle Fest in Stewart County. We were a sponsor of

Clarksville Montgomery County Education Foundation Vision to Reality, and we recently partnered with the Second Harvest Food Bank to have a mobile food pantry in Cheatham County.

Our employees live in our communities and look for ways to help make our communities stronger. We had employee teams for Relay for Life and the Walk to End Alzheimer's. During the holidays, each district office chose a charitable project in lieu of company-sponsored Christmas gatherings. During the October 2019 Tennessee Electric Co-op Day of Service, we had our company-wide "Pink Out" day to recognize the fight against breast cancer and raise money

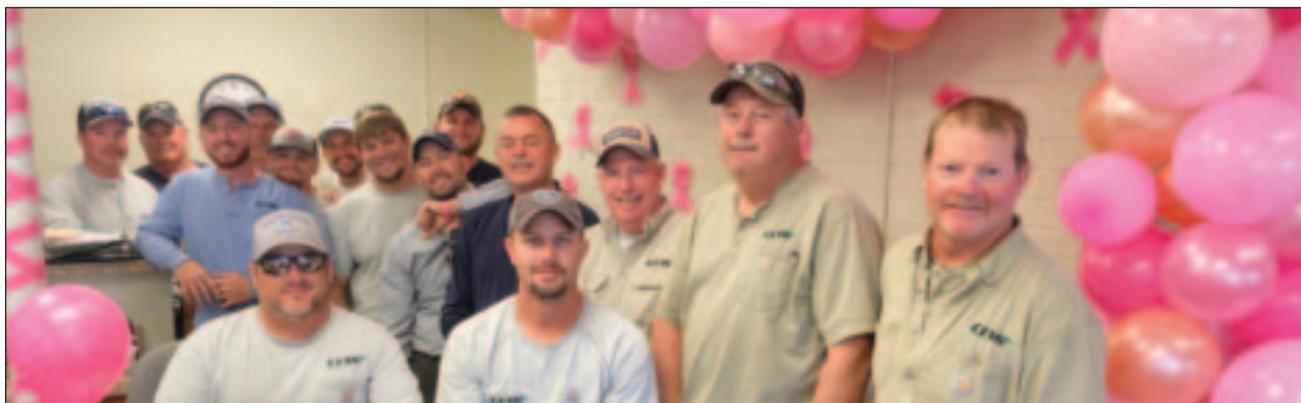
for the American Cancer Society.

CEMC is local, nonprofit, member-owned and member-controlled. Our board and employees live and volunteer alongside our members. We all care deeply about our communities.

We are proud of our history, and we look forward to an even better future *Connecting you to your best life.*



Clarksville Lineman Jeremy Wix helps a student at Sango Elementary School try on a pair of safety gloves during a career day event.



Employees at all of our locations, including Portland, above, celebrated "Pink Out" day to recognize the fight against breast cancer.



Connecting you to your best life

Ad Valorem and Property Tax Payments

Each year, CEMC pays ad valorem and property taxes to the cities and counties in which we have infrastructure. The amount of taxes paid is based on the assessed value of the infrastructure, including buildings, substations, transformers, poles and lines. The ad valorem and property taxes paid for the last three years were ...

	2018	2019	2020
Counties			
Cheatham	\$384,267.00	\$367,076.00	\$371,425.00
Dickson	5,634.00	4,619.00	4,967.00
Montgomery	1,227,554.00	1,231,745.00	1,330,768.00
Robertson	849,298.00	875,360.00	937,524.00
Stewart	302,518.00	312,850.00	321,950.00
Sumner	792,663.05	700,343.10	817,131.00
County Total	\$3,561,934.05	\$3,491,993.10	\$3,783,765.00
Cities			
Adams	\$6,889.00	\$6,882.00	\$6,903.00
Ashland City	13,827.00	16,833.00	17,034.00
Cedar Hill	946.50	1,217.58	1,580.73
Clarksville	129,101.00	126,859.00	114,548.00
Coopertown	5,704.66	6,836.96	6,840.00
Cumberland City	2,597.43	2,458.68	2,465.74
Dover	44,287.00	44,120.00	44,117.00
Gallatin	23,437.00	22,560.00	24,052.00
Greenbrier	14,900.88	20,970.90	50,010.00
Hendersonville	17,098.00	15,832.00	24,047.00
Millersville	7,226.00	10,107.00	11,871.00
Mitchellville	6,382.66	5,442.75	4,883.96
Portland	85,376.56	87,425.28	84,416.00
Ridgetop	10,051.00	9,976.00	10,016.00
Springfield	16,163.00	16,616.00	20,333.00
White House	48,063.00	45,440.00	47,449.00
City Total	\$432,050.71	\$439,577.15	\$470,566.43
Grand Total	\$3,993,984.76	\$3,931,570.25	\$4,254,331.43

The Consolidated Financial Statements

(The Consolidated Financial Statements include the operations of CEMC and Cumberland Connect.)

ASSETS	2020
Electric Plant	\$ 494,658,200
Depreciation	(175,312,300)
Net Plant	<u>319,345,900</u>
Reserve and Cash Fund	20,831,000
Current and Accrued Assets	40,939,100
Other Assets ^{1a}	9,480,000
Total Assets	<u>\$ 390,596,000</u>

EQUITIES AND LIABILITIES	
Current and Accrued Liabilities	\$ 49,849,700
Other Liabilities ^{1b}	19,669,800
Membership Investment	976,000
Long-Term Debt	114,006,900
Earnings Reinvested in System Assets	206,093,600
Total Equities and Liabilities	<u>\$ 390,596,000</u>

REVENUE AND EXPENSE STATEMENT	
Operating Revenue	\$ 283,323,600
Cost of Services	(199,688,400)
Operations Expense	(34,676,500)
Maintenance Expense	(22,541,700)
Depreciation Expense	(16,007,900)
Interest Expense	(4,408,000)
Net Income from Operations	<u>\$ 6,001,100</u>
Other Income	1,112,000
Net Income²	<u>\$ 7,113,100</u>

1a Other Assets – Other Assets primarily consists of amounts due us, inventory and prepayments.

1b Other Liabilities – Other Liabilities primarily consists of our amounts due others, member deposits and post-retirement benefits.

2 CEMC is a 501(c)(12), not-for-profit organization. Net income received is thereby reinvested in the electric system to improve and maintain reliability.

2020 Revenue Per \$1



CEMC received \$283,323,600 in revenues in the fiscal year that ended June 30, 2020. Our revenues came from several sources: Residential Members, Large Commercial Members, Small Commercial Members and Miscellaneous Income, which includes Street and Outdoor Lights, Rent, Forfeited Discounts and Broadband.

2020 Expenses Per \$1



CEMC buys power from the Tennessee Valley Authority. In the fiscal year that ended June 30, 2020, we spent 72 percent of our electric sales revenue to pay our TVA power bill. The other 28 percent was used for operations, maintenance, depreciation, interest and tax expenses.

