



 **Coast Electric**
POWER ASSOCIATION

A Touchstone Energy® Cooperative 

2019 ANNUAL REPORT

WE
ARE A COOPERATIVE

CEO'S MESSAGE

Coast Electric began in a little church on Highway 43 near Picayune where families and friends witnessed the coming of electricity to the people of rural Hancock, Harrison and Pearl River counties. Now, more than 80 years later, we are facing an opportunity to once again bring growth and prosperity to the people of South Mississippi through high-speed broadband internet service. We believe reliable, affordable internet service is a necessity for everyone, just as reliable, affordable electric service is a necessity for everyone.

In 2019, the Mississippi legislature passed a bill allowing electric cooperatives the ability to provide rural broadband service. Since then, our team has been working hard to determine the best plan of action for our members. As we have recently asked for your vote to move forward with our research and planning, I want to assure you that you are our core focus. We will never lose sight of our mission to provide reliable, affordable electric service to your homes and businesses. If we decide to offer new services, every decision made would be with the best interest of our members, employees, families and communities in mind. We have been and will continue to be a member-focused organization working together for the common good. We value your membership and look forward to serving you for years to come.



Ron Barnes
President/CEO



ABOUT US

Coast Electric Power Association, headquartered in Kiln, Miss., provides reliable, affordable electric service to Hancock, Harrison and Pearl River counties. Formed in 1937 by members of the community, the not-for-profit cooperative now provides power to more than 83,000 homes and businesses across over 6,900 miles of line. Our board of directors, advisory committee, management team and employees are committed to serving our consumer-members 24 hours a day, seven days a week, while striving to make our communities a better place to live, work and play.

Coast Electric is one of 11 electric cooperatives to receive power from Cooperative Energy, our generation and distribution cooperative headquartered in Hattiesburg, Miss. Together, these cooperatives provide electrical service to 55 counties in Mississippi, from the delta to the coast. Coast Electric is part of the National Rural Electric Cooperative Association, an organization that represents more than 900 electric cooperatives nationwide that serve 42 million Americans. As a Touchstone Energy Cooperative, Coast Electric is also part of a nationwide family with a strong brand identity that allows participating electric co-ops to tell their stories with one voice and to serve as advocates for members.

COMMUNITY

One of the seven principles that guides Coast Electric is concern for the community. Every year, employees volunteer countless hours improving our community both as representatives of Coast Electric and in their personal lives. Last year, our employees collected food donations at our Fill A Bucket food drives, donated blood at American Red Cross blood drives, raised funds for the American Cancer Society and the American Heart Association, volunteered for the United Way Day of Service and so much more. Coast Electric employees also spent time cleaning our adopted stretches of highways, unloaded hazardous materials from 617 vehicles at our Household Hazardous Waste Day, and spent a weekend at McLeod Park collecting trash and debris from the Jourdan River.

As part of our community efforts, Coast Electric is also committed to our future members. In addition to partnering with schools for career fairs, our Lineman of the Week program, and the Pathways2Possibilities career expo, we once again sponsored four high school juniors for the Electric Cooperatives of Mississippi Youth Leadership Program. These students attended a three-day workshop in Jackson, Miss., and a Youth Tour of Washington, D.C., where they visited monuments and historical sites, met with Mississippi's senators and representatives, and joined close to 2,000 students representing co-ops from across the country.



SERVICE

Our employees work hard all year long to provide our members with superior service and reliability. The engineering and operations departments continued to work on the Distribution System Construction Work Plan to convert the system voltage from 7,200 volts to 14,400 volts. This project encompasses 25 percent of our distribution system and requires employees to inspect and replace equipment on every structure in the area. The departments have also installed automation equipment that will decrease outage times in 15 regions of the cooperative's service area. These regions have been selected based upon several factors including the density of meters and the critical nature of the load served. There are plans to install this equipment in more regions, making the system more reliable than ever.

In 2019, our energy management team worked to help members use energy as conveniently and efficiently as possible. The department conducted energy fairs at each district office and participated in demonstrations at the Gulf Coast Home Show, Senior Fairs, Pathways2Possibilities, Stennis Energy Day, the Coast Electric Annual Meeting and other community events. They distributed energy efficiency information to more than

4,500 members and certified 234 Comfort Advantage new homes, 571 Comfort Advantage home heat pump changeouts, 41 commercial heat pump changeouts and 239 energy audits. Through these efforts, we have been able to help members manage their energy use and save money on their monthly bills.



OPERATION ROUND UP

For many years, Coast Electric members have been generously rounding up their bills to fund Share Your Blessings, an energy assistance program that helps those in need pay their electric bills. Near the end of 2018, Coast Electric, in partnership with the Gulf Coast Community Foundation, enhanced the Operation Round Up program by forming a community trust that provides grants for charitable organizations serving Hancock, Harrison and Pearl River counties. Now 65 percent of members' donations are put into the community trust to fund grants awarded quarterly, 25 percent of donations go to Share Your Blessings and 10 percent of donations are put into an endowment for future funding opportunities.

Operation Round Up is a nationwide program making a positive impact in cooperative communities across the country and now is making a long-lasting, positive impact in our local community. A committee of nine members serves as the Community Trust Committee and help determine what projects to fund. In 2019, thanks to our generous members, we issued 56 grants totaling \$352,192 to local charities in our community and donated \$106,492 to our Share Your Blessings energy assistance fund. While it may not seem like your spare change can do much, when



combined with the efforts of your fellow Coast Electric members, your pennies and dimes are supporting projects that improve the quality of life for your friends and neighbors.

2019 NOTABLE MENTIONS

- The Today in Mississippi member publication was converted from a newspaper to a magazine.
- We achieved an all-time high score of 89 on the American Customer Satisfaction Index.
- We partnered with CoBank's Sharing Success program to donate \$11,000 to William Carey University, \$2,000 to Mississippi Gulf Coast Community College and \$2,000 to Pearl River Community College
- Employees pledged \$41,989 to the United Way of South Mississippi.

- Members filled 3,247 prescriptions and saved \$49,169 through our Co-op Connections program, bringing our overall totals since 2009 to 241,374 prescriptions filled and \$3,407,347 saved.
- We retired \$5,458,015 in capital credits to Coast Electric members.
- We maintained 83,924 meters, 6,988 miles of line and sold 1,776,192,981 kilowatt hours.
- The Right-of-Way Department maintained 1,195 miles of line (approximately 3,585 acres), which included 168,801 trees trimmed, 8,875 trees removed and 1,015 hazard trees removed.
- Cooperative Energy, together with its 11 member distribution cooperatives, announced the award of the Cooperative Competes grants, including three in Hancock County. The grants were awarded to the Hancock Aviation Aerospace Workforce Academy, the Hancock Port and Harbor



BOARD OF DIRECTORS

GILBERT ARCENEUX – Hancock County Position 2

JAMES BALDREE – Hancock County Position 1

RICHARD DOSSETT – Pearl River County Position 1

TERI EATON, CLU – Harrison County Position 2

JAMES GINN – Hancock County Position 3

CHARLES LOPEZ – Harrison County Position 1

FRANK MCCLINTON – Pearl River County Position 2

DOUGLAS MOONEY – Pearl River County Position 3

GORDON REDD – Harrison County Position 3

JIM COMPTON – Board Attorney

MANAGEMENT TEAM

RON BARNES – President & CEO

PATRICIA GULLETT – Executive Assistant

SCOTT BROWN – Vice President of Engineering

ARCHIE DICKENS – Vice President of Safety, Compliance,
Right-of-Way, Facility & Fleet Services

JOHN HOLSTON – Chief Financial Officer

GUY JOHNSON – Vice President of Western Division &
Economic Development

LOUIS LEE – Vice President of Project Management

BRUCE MARIE – Vice President of Purchasing &
Energy Management

STEVE PITZER – Vice President of Eastern Division

MELISSA RUSSO – Vice President of Communications,
Public Relations & Member Services

MARILYN SEFTON – Chief Human Resources Officer

ADVISORY/COMMUNITY TRUST COMMITTEE

HANCOCK COUNTY

DUJUAN BOSARGE

PAUL GUICHET

LLOYD RAMIREZ JR.

HARRISON COUNTY

RAYMUNDA BARNES

ANDERSON HILL

EJ ROBERTS

PEARL RIVER COUNTY

KEITH CAVALIERE

BILLY JOE LEE

ROSS WATKINS

FINANCIAL STABILITY

COAST ELECTRIC POWER ASSOCIATION • KILN, MISSISSIPPI BALANCE SHEETS AT DECEMBER 31, 2019 AND 2018

ASSETS AND DEFERRED DEBITS

	<u>2019</u>	<u>2018</u>
UTILITY PLANT:		
Electric plant in service - at cost	\$ 364,898,912	\$ 345,324,545
Construction work-in-progress	3,911,585	7,690,089
	<u>368,810,497</u>	<u>353,014,634</u>
Less: Accumulated provision for depreciation and amortization	104,494,256	97,020,178
Net utility plant	<u>264,316,241</u>	<u>255,994,456</u>
OTHER ASSETS AND INVESTMENTS:		
Investments in associated organizations	80,160,786	77,671,971
Investments, restricted	4,360,700	4,448,450
Economic development loan receivable	322,037	704,224
Total other assets and investments	<u>84,843,523</u>	<u>82,824,645</u>
CURRENT ASSETS:		
Cash and cash equivalents	2,861,464	4,752,204
Accounts receivable:		
Customers, net of allowance accounts of \$941,582 and \$780,382	8,083,895	8,765,064
Unbilled revenue	10,991,771	10,657,468
Undercollected billings	128,701	
Other accounts receivable	2,543,334	1,369,417
Materials and supplies	2,527,175	2,653,970
Other current and accrued assets	362,272	352,114
Total current assets	<u>27,498,612</u>	<u>28,550,237</u>

DEFERRED DEBITS:		
Regulatory assets	<u>6,835,273</u>	<u>7,921,513</u>
Other	256,719	237,201
Total deferred debits	<u>7,091,992</u>	<u>8,158,714</u>
Total assets and deferred debits	<u>\$ 383,750,368</u>	<u>\$ 375,528,052</u>

EQUITIES, LIABILITIES AND DEFERRED CREDITS

	2019	2018 (Restated)
EQUITIES:		
Memberships	\$ 480,835	\$ 476,760
Accumulated other comprehensive loss - unrecognized components of net periodic benefit costs	(5,193,098)	(5,102,600)
Other equities	21,093,920	19,535,248
Patronage capital	<u>180,857,342</u>	<u>175,922,505</u>
Total equities	<u>197,238,999</u>	<u>190,831,913</u>
NONCURRENT LIABILITIES:		
Notes payable, net of current maturities	99,978,189	94,676,742
Bonds payable, net of current maturities	26,259,837	27,288,226
Right of use obligation, net of current maturities	1,699,130	2,447,375
Accumulated postemployment benefit obligation	<u>19,068,611</u>	<u>18,567,000</u>
Total noncurrent liabilities	<u>147,005,767</u>	<u>142,979,343</u>
CURRENT LIABILITIES:		
Current maturities on notes and bonds payable	7,649,425	8,356,915
Current maturities of right of use obligation	830,052	808,262
Current portion of post-retirement benefit obligation	961,825	935,700
Accounts payable		
Purchased power	11,127,602	8,364,037
Other	2,321,694	2,222,540
Customer deposits	7,564,971	7,249,421
Line of credit	1,500,000	
Accrued liabilities		
Payroll and compensated absences	6,156,157	7,337,980
Interest	880,403	837,363
Overcollected billings		3,534,637
Other	<u>513,473</u>	<u>615,941</u>
Total current liabilities	<u>39,505,602</u>	<u>40,262,796</u>
DEFERRED CREDITS:		
Regulatory liabilities		<u>1,454,000</u>
Total deferred credits		<u>1,454,000</u>
Total equities, liabilities, and deferred credits	<u>\$ 383,750,368</u>	<u>\$ 375,528,052</u>



COAST ELECTRIC POWER ASSOCIATION • KILN, MISSISSIPPI
STATEMENTS OF REVENUE FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>		<u>2018 (Restated)</u>	
OPERATING REVENUE	\$ 201,435,693	<u>100%</u>	\$ 204,182,265	<u>100%</u>
OPERATING EXPENSES:				
Cost of power	134,856,288	66.95%	139,595,165	68.37%
Distribution expenses - operations	7,849,464	3.90%	7,318,604	3.58%
Distribution expenses - maintenance	15,530,776	7.71%	14,218,028	6.96%
Consumer accounts expenses	5,668,647	2.81%	5,639,447	2.76%
Customer service and informational expenses	2,601,882	1.29%	2,483,537	1.22%
Administrative and general expenses	10,543,202	5.23%	10,617,027	5.20%
Depreciation expense	11,295,032	5.61%	10,566,349	5.17%
Taxes	<u>2,206,667</u>	<u>1.09%</u>	<u>2,073,828</u>	<u>1.02%</u>
Total operating expenses	<u>190,551,958</u>	<u>94.59%</u>	<u>192,511,985</u>	<u>94.28%</u>
OPERATING MARGINS BEFORE FIXED CHARGES	<u>10,883,735</u>	<u>5.41%</u>	<u>11,670,280</u>	<u>5.72%</u>
FIXED CHARGES:				
Interest on long-term debt	4,186,905	2.08%	3,776,926	1.85%
Other interest	<u>270,706</u>	<u>0.13%</u>	<u>213,232</u>	<u>0.10%</u>
Total fixed charges	<u>4,457,611</u>	<u>2.21%</u>	<u>3,990,158</u>	<u>1.95%</u>
OPERATING MARGINS AFTER FIXED CHARGES	6,426,124	3.20%	7,680,122	3.77%
G & T AND OTHER CAPITAL CREDITS	<u>3,525,310</u>	<u>1.75%</u>	<u>5,399,707</u>	<u>2.64%</u>
NET OPERATING MARGINS	<u>9,951,434</u>	<u>4.95%</u>	<u>13,079,829</u>	<u>6.42%</u>
NON-OPERATING INCOME:				
Interest income	375,395	0.19%	550,546	0.27%
Miscellaneous income	<u>66,023</u>	<u>(0.03%)</u>	<u>5,816</u>	<u>(0.00%)</u>
Total non-operating income	<u>441,418</u>	<u>0.16%</u>	<u>556,362</u>	<u>0.27%</u>
NET MARGINS FOR THE YEAR	<u>\$ 10,392,852</u>	<u>5.11%</u>	<u>\$ 13,636,191</u>	<u>6.68%</u>

COAST ELECTRIC POWER ASSOCIATION • KILN, MISSISSIPPI
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018 (Restated)</u>
NET MARGINS	\$ <u>10,392,852</u>	\$ <u>13,636,191</u>
OTHER COMPREHENSIVE INCOME:		
Postemployment benefit plan		
Net (loss) gain arising during period	(433,398)	1,659,600
Amortization of prior service costs	<u>342,900</u>	<u>342,900</u>
Other comprehensive (loss) gain	<u>(90,498)</u>	<u>2,002,500</u>
COMPREHENSIVE INCOME	<u>\$ 10,302,354</u>	<u>\$ 15,638,691</u>

MISSION STATEMENT

We exist to safely provide our member owners superior service and dependable electricity at the lowest possible price and to improve the economy and quality of life in our community.

NONDISCRIMINATION STATEMENT

This institution is an equal opportunity provider and employer. If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form.

Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.



A Touchstone Energy® Cooperative 

877-769-2372

Proudly Serving Hancock, Harrison and Pearl River counties

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