

WE ARE DIFFERENT.



2016 Annual Report

LAURENS ELECTRIC COOPERATIVE, INC.



Charles Adair
CHAIRMAN OF THE BOARD



J. David Wasson Jr.
PRESIDENT AND CEO

Laurens Electric Cooperative is owned by the people we serve. Everything we do at the co-op is for you, our members.

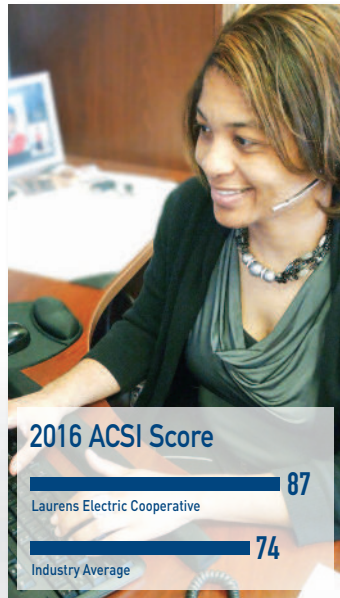
...through **reliability**

Before a storm ever hits, we have a plan in place and the training and technology necessary to prevent as many outages as possible and restore power as quickly and safely as possible. But we believe an ounce of prevention is worth a pound of cure, so we maintain an aggressive tree-trimming program. By trimming vegetation in our rights of way, we help minimize potential damage and power outages caused by trees falling into lines. In addition, co-op personnel constantly inspect the substations and thousands of miles of lines that serve our customers. When outages do occur - whether because of winter ice, spring wind or summer storms, our crews work around the clock until the lights come back on.

We are working for your interests...

...with **excellent service**

Our employees are your friends and neighbors and they care about providing our members with the service they need and expect. One of the tools we use to ensure the best service for you is the American Customer Satisfaction Index (ACSI), which measures customer loyalty, experience, and expectations on a local and national level. In the twelfth year since we began participating in the study, Laurens Electric Cooperative achieved a record high score of 87, versus the industry average of 74. This tells us we are on the right track and helps us determine how we can continue providing you with the best service possible.



LINE CREWS WORK IN TREACHEROUS CONDITIONS YEAR-ROUND TO RESTORE POWER WHEN CONDITIONS CREATE OUTAGES



...via communication

In 2016 we redesigned our web site, LaurensElectric.com, with an eye toward simplification and easy-to-find content. Whether you're looking for the benefits of being a co-op member or options for paying your bill, you'll find it in a click or two. The site is also fully mobile friendly and conforms to all smartphone, tablet and computer screens so you can stay informed on the go. You can also connect with us through social media. Aside from announcing events, new programs and services, and sharing videos, photos and stories, social media is a game-changer during a storm or major outage. We share updated information as soon as it comes in from the field, so you're not left in the dark during our power restoration efforts. Find us on Facebook, Twitter, YouTube and, new in 2016, Instagram.



LaurensElectric.com

THE NEW LAURENELECTRIC.COM WAS DESIGNED WITH YOUR NEEDS IN MIND TO CREATE A CONVENIENT ONLINE EXPERIENCE.

...through ProTec Services

A division of Laurens Electric Cooperative and a BBB award-winning company, ProTec serves 10,000 customers throughout the Carolinas. ProTec offers security systems, fire alarms, closed-circuit TV, access control, LifeGuard medical response systems, appliance/HVAC protection, surge suppression, and more. Visit the web site at ProTecService.com or find us on Facebook to see how ProTec can protect you.



...by means of growth and stability

The growth of the co-op was strong in 2016, with a 54% increase in new customers from 2015. There has been a sharp increase in new subdivisions served by Laurens Electric, and the potential in new accounts will be realized in the coming years. There has also been commercial growth with new grocery stores and medical facilities. In addition, LEC was chosen as the service provider for Michelin North America's new distribution complex in Spartanburg County. Once construction is complete, the complex of buildings will comprise up to 3.9 million square feet. New accounts add to the financial stability of the co-op and serving large industrial power loads helps drive down costs for everyone.



VISIT THE PROTEC TENT AT THIS YEAR'S ANNUAL MEETING JUNE 3 FOR A HANDS-ON DEMONSTRATION OF THE SERVICES PROTEC OFFERS



INCREASE IN COMMERCIAL GROWTH IN OUR COMMUNITY

...by Commitment to Community

Throughout the year Laurens Electric Cooperative organizes programs and charitable events. The co-op sponsors local high school students each year to attend Washington Youth Tour, hosts hundreds of the area's elementary school children to visit Santa each December, holds an annual employee United Way fundraiser, and reaches out to the community through its women's charitable group, WIRE (Women Involved in Rural Electrification).

In 2016, our biggest fundraising events, including the Million Dollar Hole in One Shootout, annual Poker Run and Charity Golf Tournament supported the employee Pay It Forward program.

Following on the heels of our 75th anniversary's 75 Acts of Kindness initiative, the Pay It Forward program allows our employees to get involved through personal good deeds. An employee's name is drawn each month to receive \$500 to pay forward in any way they choose. This program is budget-neutral; the funds come from Laurens Electric's charity events, which employee volunteers make possible.



LINEMAN CALVIN BUTLER PAID FORWARD \$500 TO THE UNITED WAY OF GREENWOOD AND ABBEVILLE COUNTIES, KICKING OFF LAURENS ELECTRIC'S EMPLOYEE UNITED WAY CAMPAIGN WHICH RAISED \$19,000 - THE HIGHEST AMOUNT EVER DONATED BY EMPLOYEES OF THE CO-OP.

...with efficiency and renewable energy

We have all the information you need to help you manage energy use and control costs. In addition to providing brochures and booklets, we continually update our website, LaurensElectric.com, with the most comprehensive, interactive tools and resources available to help our members reduce energy use. We offer a Residential Service Energy Star rate to encourage members to build new homes to Energy Star efficiency standards, as well as Green Power, electricity generated from renewable resources such as landfills that convert methane gas into electric power. We have a Home Rewards program with cash incentives for upgrading to energy efficient HVACs, duct work, attic insulation and dual-fuel heat pumps.

In addition to offering an interconnection option for members who install solar panels on their own homes, in 2016 we constructed the first Community Solar farm in the Upstate, through which members subscribe to a portion of the community solar farm's energy production. The program has been so successful that we will start construction on a second farm this summer. Find out more at CommunitySolar.LaurensElectric.com.



LEC'S FIRST COMMUNITY SOLAR FARM WAS FULLY SUBSCRIBED WITHIN A MONTH OF ITS ANNOUNCEMENT



Joe Nicholson
DISTRICT 1



Bill Hendrix
DISTRICT 2



Lewis Harrison
DISTRICT 3



Charles Adair
DISTRICT 4



Leroy Blakely
DISTRICT 5



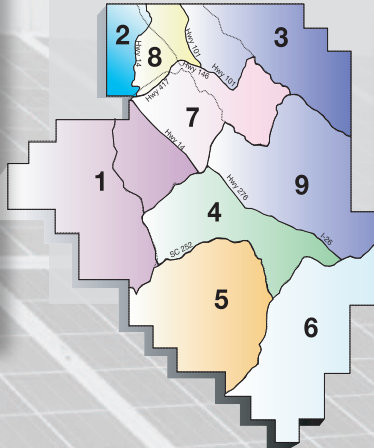
Eddie Abrams
DISTRICT 6



Marty Cook
DISTRICT 7



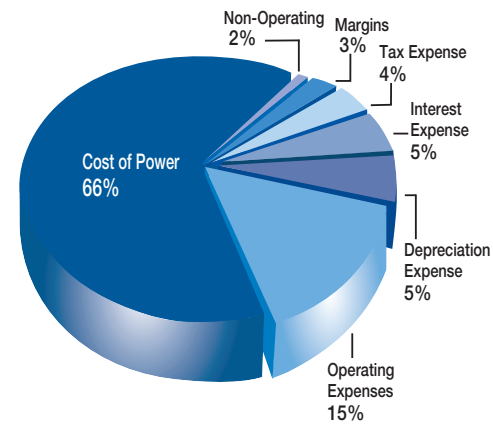
F.E. Hendrix
DISTRICT 8



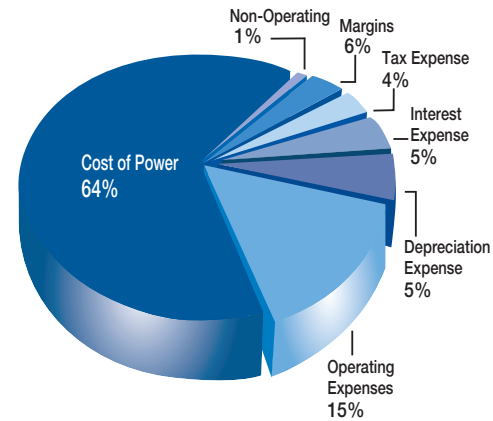
Mitchell Powers
DISTRICT 9

BALANCE SHEET

	2016	2015
Assets		
UTILITY PROPERTY, PLANT & EQUIPMENT		
Total Utility Plant in Service	\$ 240,390,536	\$ 232,403,814
Construction Work in Progress	9,507,473	8,232,048
Total Utility Plant	249,898,009	240,635,862
Less: Accumulated Depreciation	77,726,631	75,228,068
Net Utility Plant	172,171,378	165,407,794
Non Utility Plant	0	0
Investments in Associated Organizations and Other Property	19,541,544	17,568,204
Total Property, Plant & Equipment	191,712,922	182,975,998
CURRENT ASSETS		
Cash & Cash Equivalents	18,552,761	30,993,482
Accounts Receivable	8,443,892	7,599,750
Notes Receivable	41,086	82,000
Materials and Supplies	1,332,138	1,299,598
Prepayments and Other Current Assets	272,418	755,281
Total Current Assets	28,642,295	40,730,111
DEFERRED DEBITS		
	0	1,221
TOTAL ASSETS	\$ 220,355,217	\$ 223,707,330
Liabilities & Equities		
EQUITY		
Memberships	\$ 304,000	\$ 299,760
Patronage Capital & Other Equities	60,330,653	58,041,278
Total Equity	60,634,653	58,341,038
CURRENT LIABILITIES		
Accounts & Notes Payable	7,664,494	5,596,088
Member Deposits	2,832,573	2,706,616
Accumulated Operating Provisions	10,217,951	9,381,633
Other Current and Accrued Liabilities	11,959,002	10,651,560
Total Current Liabilities	32,674,020	28,335,897
LONG-TERM DEBT		
	123,331,629	134,480,944
DEFERRED CREDITS		
	3,714,915	2,549,451
TOTAL LIABILITIES & EQUITIES	\$ 220,355,217	\$ 223,707,330



2016 Operating Expense



2015 Operating Expense

STATEMENT OF OPERATIONS AND PATRONAGE CAPITAL

	2016	2015
ELECTRIC REVENUE	\$ 126,067,490	\$ 124,866,481
OPERATING EXPENSE		
Cost of Power	86,469,981	82,053,628
Distribution Expense	8,153,391	7,924,781
Customer Account & Service Expense	4,234,295	4,112,337
Sales Expense	701,791	591,211
Administrative and General Expense	7,008,738	7,021,707
Depreciation Expense	6,360,528	6,068,628
Tax Expense	5,145,877	5,048,399
Other Expense	107,915	119,905
Total Operating Expense	118,182,516	112,940,596
Operating Margins Before Interest and Capital Credits	7,884,974	11,925,885
INTEREST ON LONG-TERM DEBT		
	6,068,782	6,161,317
Operating Margins Before Capital Credits	1,816,192	5,764,568
NON-OPERATING MARGINS		
Capital Credits from Related Organizations & Other Non-Operating Margins	2,434,458	1,973,651
NET MARGINS	\$ 4,250,650	\$ 7,738,219
Margins & Equities, Beginning of Year	\$ 58,341,038	\$ 52,609,815
Retirement of Capital Credits	750,000	750,000
Margins & Equities, End of Year	\$ 60,634,653	\$ 58,341,038