



MOMENTS THAT MATTER

SAWNEE EMC 2018 ANNUAL REPORT & OFFICIAL NOTICE OF MEMBER MEETING



SEMC BOARD OF DIRECTORS



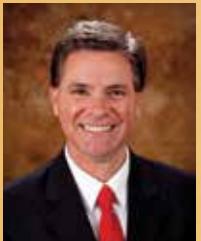
Roger Coker
District 1



Marshall Millwood
(Chairman)
District 2



Lamar Sexton
District 3



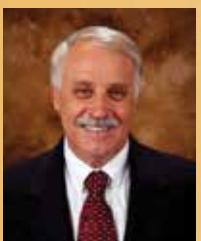
Gary Porter
(Secretary-
Treasurer)
District 4



Larry Evans
District 5



Tim Heard
District 6



Terry Mathis
District 7



Donna Yost
District 8



Rodney Reese
(Vice Chairman)
District 9



Dear Sawnee EMC Member:

Greetings from the Board of Directors and staff of Sawnee EMC. Please accept our 2018 Annual Report on the state of your electric cooperative.

Each day it is the goal of over 340 dedicated and professional men and women who call Sawnee EMC home to provide you with world-class customer service and exceptionally reliable electrical service. For over 81 years, serving you has been our objective and purpose and we look forward to continuing that service into the future.

As you review this Annual Report, you will see that the theme is "Moments that Matter." We have all had certain moments in our lives that remain ingrained with us and this great organization is no different.

Moments where, in the face of great odds, our staff pursued distinction and provided service to our members over oneself. Perhaps it was a calming voice on the other end of a telephone line when you called about an outage or a line crew arriving at your home during a terrible storm and against all odds restored your service. These are the moments we remember and, in turn, they are the ones that speak to the true character of what encompasses Sawnee EMC.

Commitment to our members and the principle of "service" is what sets Sawnee EMC apart. Relying upon the focus of performance, action and membership help shape us as a company and will guide us into the future. Keep reading to see what we are doing in these three (3) areas to make Sawnee EMC your electric cooperative for those moments to come.

Thank you for your support and best wishes to you and your family.

Sincerely,

Michael A. Goodroe
President & CEO

MOMENTS THAT MATTER

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PERFORMANCE



Progress starts here. Sawnee EMC is led by members, like you; created by and for the communities we serve. An electric cooperative, like Sawnee, is community-focused and we dedicate ourselves each and every day to deliver affordable, reliable and safe energy to our members.

It's at our core

You wake up. You turn on a light. It's something people experience each day. What you may not think about is the over 340 employees at Sawnee EMC who are constantly working behind the scenes and in our communities to make sure that moment happens exactly when it needs to. The reliability of your electric service is a core service that we take very seriously. Do power outages occur? Yes. However, you can rest assured that there is a team of professionals working to get power restored as quickly as possible should you experience an outage.



Clearing for reliability

Sawnee EMC favors a "members first" approach when it comes to your electric service. Part of that approach is a proactive right of way maintenance program. Tree trimming is critical to keeping our members' lights on. Sawnee EMC actively trims trees and branches that are near power lines to help provide reliable service. Think about it this way... every minute dedicated to keeping lines clear of trees and limbs improves our reliability. That's a moment to be proud of.



Energizing tomorrow

We know there is not a one-size-fits-all approach in the electric utility industry. Every day we have to operate in ways that make sense for the needs of the cooperative and the greater community. When it comes to utilizing cleaner sources of energy, like solar, we're smart in our decisions. We are here to help our members manage their energy in smarter ways and in a manner that is beneficial to them.

PERFORMANCE MOMENTS

In 2018, SEMC received the J.D. Power award for "Highest Customer Satisfaction Among Cooperatives" as well as receiving an American Customer Satisfaction Index score of 93, one of the highest in the nation.



Multiple proactive efforts, such as routine right-of-way maintenance, pole inspection and daily outage reviews are deployed to provide reliable service via approximately 11,370 miles of distribution line.



Members experienced a decrease of 298 tree-related outages in 2018 as compared to 2017.



According to the 2018 Summer Retail Rate Survey conducted by the Georgia Public Service Commission; Sawnee's electric rates are approximately 32% lower than Georgia Power.



Sawnee now purchases 70 MW of clean, renewable energy for our membership at a low cost.

MOMENTS OF ACTION



The Sawnee Electric Membership Foundation was incorporated in 2003 and four (4) original Board Members are still serving today.

Since inception, over \$2.8 million has been donated by the Foundation back into the communities served by Sawnee EMC.



Over \$700,000 from unclaimed patronage capital has been granted to 187 high school seniors to continue their secondary education.



Sawnee members donate an average of \$8,000 per month by participating in Operation Round Up. Each and every penny adds up and makes a difference in our local communities.



ACTION



Creating community along the line. Sawnee EMC is always engaged in our surrounding communities and through the Sawnee Electric Membership Foundation, we are working hard to give back to those that need assistance the most. Being part of your community is a milestone moment.

Create a positive change

Operation Round Up is an easy and convenient way for Sawnee EMC members to make a real difference in their communities. By making the choice to round up your electric bill to the next highest dollar, you have the ability to make special moments possible for non-profit organizations serving people in your area or even in your own neighborhood.

Bright ideas and beyond

The effects are far-reaching. When Sawnee members donate through Operation Round Up, they are opening up a world of possibilities for people, like local school teachers, living and working in our communities. Operation Round Up supports the Foundation's Bright Ideas Program, which provides teacher grants to make long lasting impacts in the classroom for their students. The Foundation also supports its Youth Scholarship Program, providing educational assistance to students in Sawnee's service area to pursue their secondary education.



A moment of gratitude

An expression of gratitude and a simple thank you is one of the simplest, yet most powerful, acts people can exchange. Whether you donate to Operation Round Up each month, occasionally, or just took the time to read about the Sawnee Electric Membership Foundation... thank you. Without our members supporting the Foundation and its associated programs, they would cease to exist.



A group of diverse people, including a woman with an afro in a green top and a man in a white shirt, are clapping in the background.

**M
EM
BER
SHIP**



You belong. You are a member of Sawnee EMC. Not just a customer or an end-user. You are a member. Take a moment and think about the word "member." It means you belong to a particular group, and here that group is comprised of approximately 150,000 other members who call Sawnee EMC their electric cooperative.

More than a word

Serving you, our member, is more than a passing thought. It is something our staff takes seriously each day. Part of what makes Sawnee remarkable is you. An electric cooperative is led by its members. Sawnee does not answer to outside investors; we answer to you, our member, and that key difference has always been part of our business model.



It pays to be a member

There are several moments that encompass being a Sawnee EMC member. One of the most important aspects of an electric cooperative is patronage capital. The retirement of patronage capital is one of the most significant actions achieved by Sawnee EMC. It is unique to our business model and the process allows Sawnee to return money, or capital, back to the members that previously provided it in order to operate the cooperative.



Cooperative spirit

Your membership, that of each of your neighbors, and other Sawnee EMC members is all part of the cooperative spirit and has always been one of the best points about being part of Sawnee EMC. At Sawnee, we know that we can't do everything alone – we're all in this together. And we are stronger for it. That is a moment we will always value.

MEMBERSHIP MOMENTS



Through Sawnee's Co-op Connections Program, members have direct access to hundreds of valuable discounts at local and nationwide retailers. It's a membership perk.



Since becoming Sawnee's preferred natural gas marketer, over 64,000 members have signed up with True Natural Gas. With True's low rates, great service and the ease of signing up through Sawnee, more and more members are making the switch.



Sawnee launched its Virtual Solar Program that allows members to receive energy benefits without the challenges that can arise with owning and operating their own photovoltaic system.



In 2018, Sawnee EMC retired approximately \$10 million to eligible current and former members through a retirement of patronage capital.

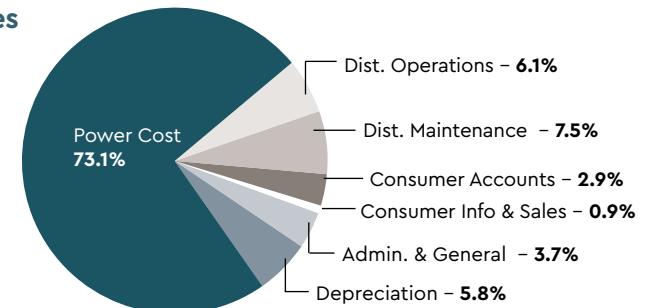
Sawnee Electric Membership Corporation Balance Sheets

	2018	2017
Assets		
Utility Plant		
Electric Plant in Service-At Cost	\$620,317,526	\$595,741,812
Construction Work in Progress	<u>9,565,226</u>	<u>5,950,676</u>
Gross Utility Plant	629,882,752	601,692,488
Accumulated Provision for Depreciation	<u>(126,927,042)</u>	<u>(124,073,177)</u>
	502,955,710	477,619,311
Other Property and Investments		
Investments in Associated Organizations	41,159,106	41,876,626
Restricted Funds	<u>122,071,270</u>	<u>107,071,270</u>
Other Investments	<u>478,730</u>	<u>478,730</u>
	163,709,106	149,426,626
Current Assets		
Cash and Cash Equivalents	7,849,318	11,126,116
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of \$73,279 in 2018 and \$88,659 in 2017)	32,855,178	31,895,489
Materials and Supplies	4,076,614	3,201,592
Prepayments	241,074	232,343
Interest Receivable	<u>1,106,267</u>	<u>432,235</u>
	46,128,451	46,887,775
Deferred Debits	294,468	1,420,540
Total Assets	\$713,087,735	\$675,354,252
Members' Equity & Liabilities		
Members' Equity		
Membership Fees	\$176,170	\$184,480
Patronage Capital	<u>238,243,472</u>	<u>226,040,861</u>
Other Equities	<u>23,118,844</u>	<u>22,204,264</u>
	261,538,486	248,429,605
Long-Term Liabilities		
Long-Term Debt	227,918,485	239,182,730
Accumulated Provisions for Postretirement Benefits	25,171,738	28,382,583
Other Liabilities	<u>431,818</u>	<u>650,106</u>
	253,522,041	268,215,419
Current Liabilities		
Long-Term Debt - Current Portion	10,414,000	10,024,000
Accumulated Provisions for Postretirement Benefits Other Than Pensions - Current	1,011,230	823,084
Line of Credit	22,820,183	-
Accounts Payable	18,525,230	18,917,787
Consumers' Deposits	8,159,422	7,851,740
Accrued and Withheld Taxes	4,943,954	4,059,364
Other	<u>9,957,142</u>	<u>9,750,563</u>
	75,831,161	51,426,538
Deferred Credits		
	122,196,047	107,282,690
Total Members' Equity And Liabilities	\$713,087,735	\$675,354,252

Statements of Revenue and Patronage Capital

	2018	2017
Operating Revenues	\$360,104,084	\$355,871,803
Operating Expenses		
Cost of Power	242,411,692	233,004,950
Distribution Operations	20,193,743	20,332,800
Distribution Maintenance	24,717,040	28,429,271
Consumer Accounts	9,739,034	9,706,814
Consumer Information and Sales	2,808,191	2,716,378
Administrative and General	12,295,341	13,047,239
Depreciation	19,278,801	20,378,496
Other	<u>10,000</u>	<u>6,255</u>
	331,453,842	327,622,203
Operating Margins Before Interest Expense	28,650,242	28,249,600
Interest Expense	<u>11,753,182</u>	<u>11,757,958</u>
Operating Margins After Interest Expense	16,897,060	16,491,642
Nonoperating Margins	7,104,829	6,215,699
Generation and Transmission Cooperative Capital Credits	(1,160,925)	1,321,837
Other Capital Credits and Patronage Capital Allocations	<u>531,508</u>	<u>706,589</u>
Net Margins	\$23,372,472	\$24,735,767
Total Members' Equity - Beginning	\$248,429,605	\$236,368,363
Net Margins	23,372,472	24,735,767
Retirement of Patronage Capital	(10,354,295)	(12,763,930)
Membership Fees	(8,310)	(8,130)
Other Equities	99,014	97,535
Total Members' Equity-Ending	\$261,538,486	\$248,429,605

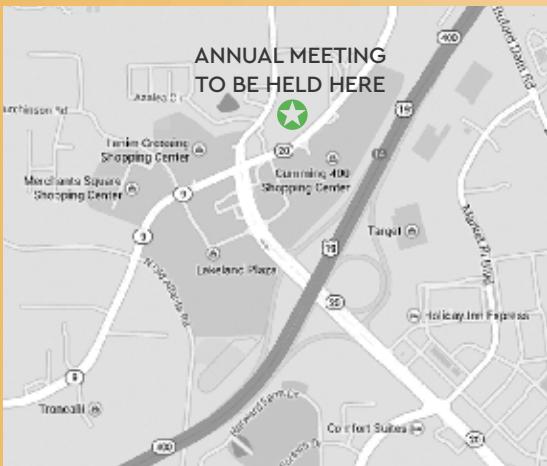
Operating Expenses



To view the complete financial statements contained in our 2018 Financial Audit, please visit our website at www.sawnee.com. If you wish to receive a printed copy of our 2018 financial audit, please contact Mrs. Ginny Ellis, Chief Financial Officer, at 770-887-2363, extension 7578, or via email at ginny.ellis@sawnee.com.

This institution is an equal opportunity provider and employer.

JOIN US FOR OUR 81ST ANNUAL MEETING



The 2019 Annual Meeting will be held at SEMC's headquarters:

**543 Atlanta Highway
Cumming, GA 30040**

See the schedule of events on page 13 for a complete listing of the planned activities. Times are estimated and may vary.

**IMPORTANT:
THIS IS YOUR ANNUAL MEETING
REGISTRATION CARD!**

Please bring this notice with you to the Annual Membership Meeting on **Saturday, October 5, 2019** and present it at the Registration Desk. Door prizes will be awarded and you must be present to win.

Notice of Proposed Bylaw Amendment

To be considered at the 81st Annual Members Meeting
To be held on October 5, 2019

Dear SEMC Member,

You are hereby notified that the Board of Directors of Sawnee Electric Membership Corporation will present a proposed amendment to the Corporation's Bylaws at the upcoming Annual Meeting. This letter shall serve as your Official Notice of the proposed Bylaw amendment, as required under Section 15.02 of the Bylaws.

This proposal (see the text reflecting the proposed language to be added and removed) will be presented to the membership at the Annual Meeting on October 5, 2019. If approved by the membership, this Bylaw revision will become effective as of October 5, 2019.

The purpose of this amendment is to revise the number of member signatures required for a petitioner to qualify to run for the office of director.

Sawnee's Board of Directors approved this proposed amendment at a board meeting held on August 8, 2019 and recommends that the membership approve this Bylaw revision, as presented.

Respectfully,

SAWNEE ELECTRIC MEMBERSHIP CORPORATION

A handwritten signature in black ink, appearing to read "Michael A. Goodroe".

Michael A. Goodroe
President and CEO

PROPOSED BYLAW AMENDMENT

(**Added** language is underlined and **deleted** language is stricken through.)

SECTION 4.09. NOMINATIONS. It shall be the duty of the Board Directors to appoint, not less than sixty (60) nor more than ninety (90) days prior to the date of each Directorate District meeting of the members at which directors are to be elected, a Committee on Nominations, consisting of three (3) members from such Directorate District who are not existing employees, agents, officers, directors or known candidates for directors, and who are not close relatives (as hereinafter defined) or members of the same household of such a person. The Committee shall prepare and post at the principal office of the Cooperative at least thirty (30) days prior to the District meeting a list of nomination(s) for directors to be elected from or with respect to that District. The Committee may include more nominees than there are to be elected. Any ~~forty-five (45)~~ one percent (1%) or more of the total number of members from the Directorate District, as of the most recent January 1st, acting together, may make additional nominations in writing over their signatures, not less than thirty-five (35) days prior to the Directorate District meeting. The Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted. The Secretary shall mail to the members of each District with the notice of the meeting, or separately, but at least five (5) days prior to the date of the meeting or the opening of the early voting period for contested elections, a statement of the names and addresses of all nominees, showing separately those nominated by the Committee and those nominated by petition, if any. After all nominations so made have been duly announced, nominations shall be closed and no nominations shall be made from the floor; PROVIDED, one or more nominations may be made from the floor if any nominee made by the Committee shall have declined such nomination, or be determined to be ineligible and disqualified for such nomination, or has died or otherwise become incapable of serving. Notwithstanding any other provision of these Bylaws, if the Nominating Committee nominates only one person for director from a Directorate District and if there are no additional nominations for director by petition, the meeting for such District otherwise in the bylaws provided for shall not be held (unless the Board of Directors decides to hold such meeting for some purpose other than the election of a director) and the Committee's nominee shall be deemed to be elected by the members from that District.

TRIM



P.O. Box 266
Cumming, Georgia 30028
770-887-2363
Fax - 770-886-8119
1-800-635-9131
www.sawnee.com

September 13, 2019

Official Notice of Member Meeting

81st Annual Members' Meeting to be held on October 5, 2019

Dear Sawnee EMC Member,

In accordance with Article 3, Section 3.03, Notice of Member Meeting, of the Bylaws of Sawnee Electric Membership Corporation ("the Corporation"), notice is hereby given that the 2019 Annual Membership Meeting of the Corporation will be held Saturday, October 5, 2019, at Sawnee EMC's headquarters located at 543 Atlanta Highway, Cumming, Georgia.

Registration will be from 8:00 a.m. to 11:00 a.m. The Annual Meeting will convene at approximately 9:30 a.m., with the business session scheduled to begin at approximately 10:20 a.m.

The purpose of the meeting is to transact any and all business that might properly come before the membership, at that time. Reports from officers, directors, committees and the district election(s), as well as any unfinished and/or new business, will be presented to the membership.

We urge you to make plans to attend this very important meeting of your Cooperative.

Respectfully,

Gary Porter
Secretary-Treasurer

Please see reverse side for proposed Bylaw change information.

2019 Annual Meeting Agenda

8:00 A.M. – 10:00 A.M.

CONTINENTAL BREAKFAST

- Enjoy muffins, pastries, fruit and, of course, those delicious homemade biscuits. Bottled water, juice, coffee and soft drinks will also be available

8:00 A.M. – 11:00 A.M.

REGISTRATION

- Bring your meeting Registration Card and present it at the Registration Desk

9:00 A.M. – 9:25 A.M.

GENERAL ENTERTAINMENT

- 8 Up With Dixie

9:30 A.M.

WELCOME AND ANNOUNCEMENTS

- Meeting begins (Reserved parking for handicapped attendees and a sign language interpreter will be available)

9:35 A.M. – 10:00 A.M.

GENERAL ENTERTAINMENT

- Dawson County High School Chorus

10:05 A.M.

INTRODUCTIONS

- Additional Announcements

10:15 A.M.

AWARD PRESENTATIONS

10:20 A.M.

BUSINESS SESSION

- Business Meeting Begins
- Report of Quorum
- Reading of Official Notice of Meeting and Proof of Mailing
- Reading of Minutes of Prior Meeting
- Report of District Director Elections
- Presentation of Reports by CEO
- Unfinished Business
- New Business
 - Bylaw Amendment
- Business Meeting Adjourns

10:45 A.M.

FEATURED ENTERTAINMENT

- The Wiseman Brothers

11:15 A.M.

AWARDING OF DOOR PRIZES

- General Prizes – There will be energy credits and prizes given away
- Children's Prize – One bicycle to a child 12 years of age or younger

11:45 A.M.

MEETING ENDS

(Note: Times are estimated and may vary from what is shown above)



Visit us at www.sawnee.com

