

BEHIND THE 
POWER
CHANGING LIVES



ANNUAL REPORT 2017

Provide safe, reliable power at competitive rates and improve the quality of life in the communities we serve.

Our Mission



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Changing Lives...

Letter to Members

Part of Adams Electric's mission statement is "...improving the quality of lives in the communities we serve." This year we have adopted a theme of "Behind the Power: Changing Lives" to show what your cooperative is doing in our local communities to change and improve lives.

In March, 30,500 current and former members shared in \$1.75 million in Ownership Rewards. Adams Electric operates on an at-cost basis and has returned leftover equity to members as Ownership Rewards for more than 50 years. Ownership Rewards represent your ownership of Adams Electric and are a return on your investment in the co-op.

"Delivering safe and reliable power is just the start of what Adams Electric provides its members."

The cooperative also asked members to participate in the first-annual Pennies for Power campaign raising money for Adams' member-assistance program Project Helping Hand. The October GIVE drive raised more than \$3,500 to help those members who are having trouble paying their electric bill.

Changing lives was not reserved for only cooperative members this year; Adams also changed lives for a family of ospreys living dangerously on Adams Electric's lines. A nesting platform was constructed for local birds of prey that had begun nesting on electrical equipment, providing a much safer home.

Glancing through this year's annual report, you will see the variety of ways Adams is giving back to the communities it serves and changing lives along the way. Delivering safe and reliable power is just the start of what Adams Electric provides its members.



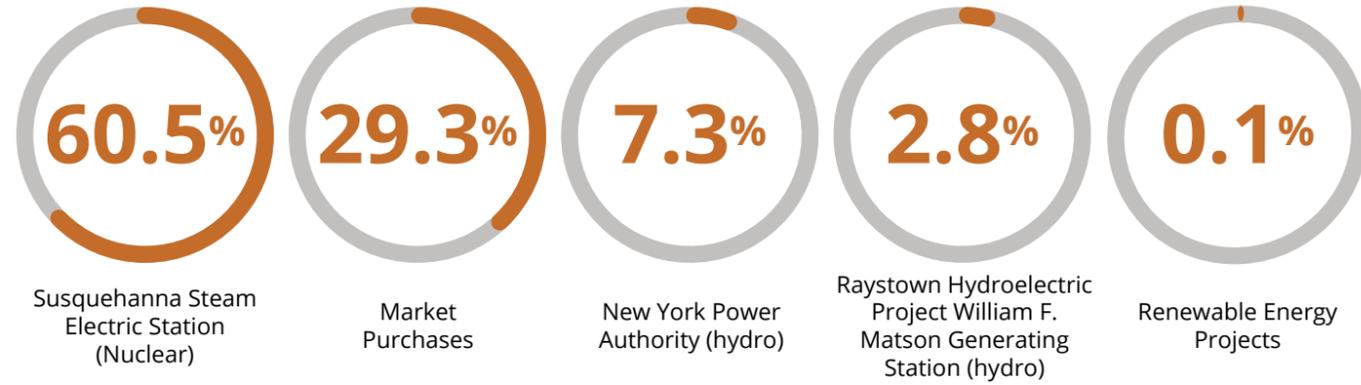
JAY GROVE
President of the Board



STEVE RASMUSSEN
CEO/General Manager

Operations

Where We Get Your Power



DONATING TIME AND EQUIPMENT: York District Lead Lineman Shawn Dehoff and Journeyman First Class Craig Mummert position a pole while Journeyman First Class Eric Altice operates the digger truck. The Borough of Fawn Grove purchased the new, 60-foot utility pole from the co-op to replace an aged light pole at one of its recreation fast pitch fields. The co-op then donated the labor and equipment to change out the old pole with the new one.

Sachs Bridge Thank You

PROTECTING COMMUNITY LANDMARKS: Organization representatives, including Adams' lead lineman Jay Kroeze, sixth from left, met at the Sachs Bridge in Gettysburg to celebrate the completion of a joint project with Met-Ed, the Gettysburg Municipal Authority and the County of Adams to install utility poles and LED area lights and security cameras to prevent vandalism at the historic covered bridge. Adams donated two utility poles and set the poles. The co-op also donated the LED lights.



POLE TOP CONSTRUCTION: A line crew from the co-op's Gettysburg District set a post and nesting platform in June next to the pole where local birds of prey had begun building a nest. The co-op reviewed suggestions for constructing an osprey platform before the work began, including key features such as drain holes to prevent a flooded nest and having a perch area for the birds to land on. The co-op also had to remove the original nest from the utility pole it was entwined in, and install raptor guards to protect the birds and prevent them from building there again.





By the Numbers...

Members participating in Adams Electric's U-Shift, U-\$ave Air Conditioning program saw a **\$3** increase to their seasonal monthly credit at the beginning of 2018, bringing the total credit to **\$10** a month. In 2017, The U-Shift, U-\$ave load management program saved over **\$850,000** in avoided power purchases and has saved **\$22 million** since the program's inception in 1987. Over **10,000** members have volunteered to add a U-Shift switch to their equipment and participate in the program.

U-SHIFT SWITCHES ON THE COOPERATIVE SYSTEM

U-Shift Water Heater Switches..... 8,494
 U-Shift AC Switches 1,040
 U-Shift Off-Peak Panels 1,117

Lowering Outages

BOOSTING RELIABILITY:

The co-op replaces a 10-MVA, 58,000 pound transformer at its Orrstown Substation in the Shippensburg District in May. The new equipment, along with technological upgrades at the substation, replaced aging equipment and provides increased capacity and reliability.

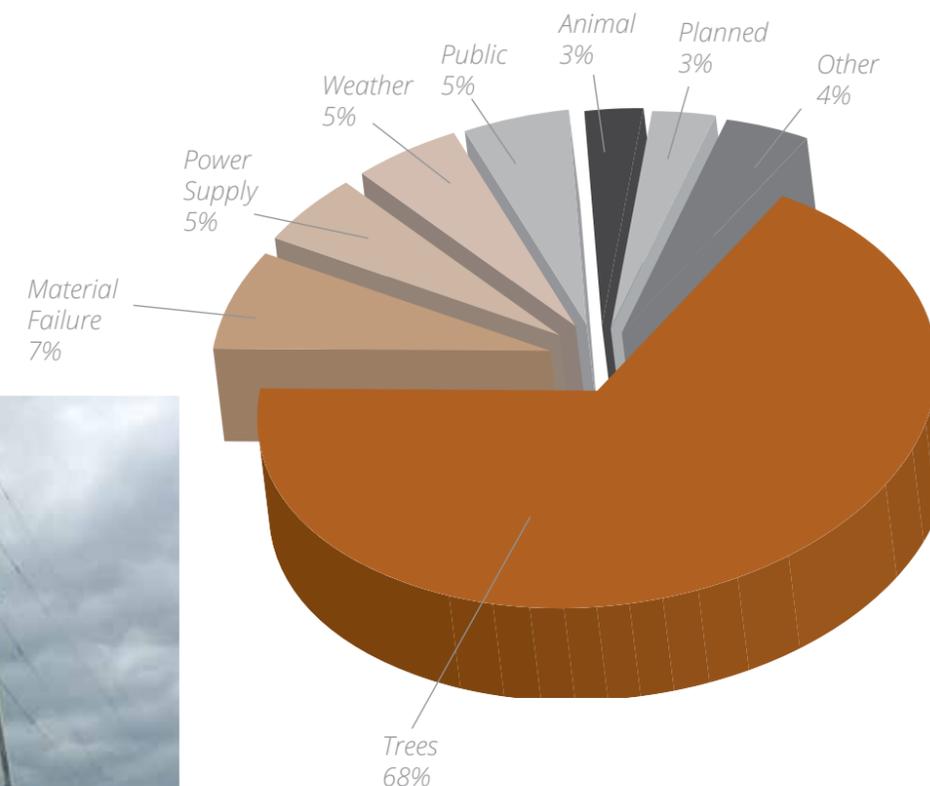


FROM PENNSYLVANIA TO HAITI: Gettysburg Line Superintendent Guy Gorman, right, hands over the keys to one of two retired Adams Electric service vehicles that were donated to Haiti in 2017 through the National Rural Electric Cooperative Association's International Foundation.

CHANGING LIVES ACROSS THE COUNTRY: Lineman Max Rinehart preps his truck before heading across the state with four, two-man Adams Electric crews to help restore power to central and western Pennsylvania cooperatives Sullivan County REC and Valley Rural Electric in May. Following a principle of cooperation among cooperatives, Adams also sent seven employees to help in Georgia at Jackson Electric Membership Cooperative following Hurricane Irma in September.



2017 Outage Causes



CHANGING FOR RELIABILITY:

Crews replaced 12, 115kv transmission poles that feed power to the cooperative's Fairfield Substation in Adams County. The new steel poles replaced aging equipment, increasing reliability and further preventing equipment failure.

Leaders in the Community

Co-op Returns \$1.75 Million In Ownership Rewards

One of the many benefits of being a part owner of Adams Electric is the annual return of Ownership Rewards to members.

The board of directors voted once again to return ownership rewards to current and former members, thanks to another financially strong year. This year, the total return was \$1.75 million. This raises the total amount returned to almost \$43 million since 1964. Ownership Rewards is your equity investment in the co-op based on your electricity use.

Changing Lives With Politics: Acre/Co-Op Owners For Political Action (Co-op Owners)

is a group of members and employees who invest in legislators who support cooperatives. This nonpartisan political action committee gives its participants the opportunity to have their voices heard on issues affecting their co-op and their communities.

Adams Electric currently has nearly 100 employees and their spouses contributing to ACRE, the group that represents employees and directors. Approximately 130 members have voluntarily joined Co-op Owners and contribute on their monthly electric bill.

Board of Directors

Adams Electric is guided by a board of nine directors, elected by the membership, to serve three-year terms. For the purpose of electing these directors, and to ensure that all areas of the co-op's service territory are well represented, the cooperative is divided into nine zones. Although each director is a member of his or her zone, the entire co-op membership votes directors into office through an election process that ends at the co-op's annual meetings each May.



Jay E. Grove
Shippensburg
President
6-27-92
Zone 7



Glenn E. Bange
Hanover
Vice President
6-4-05
Zone 3



Nadine Hubner
Felton
Secretary
6-14-13
Zone 6



Thomas "Tom" J. Knub
Wellsville
Treasurer
6-26-99
Zone 4



Daniel "Dan" E. Eisenhart
Newville
6-8-02
Zone 9



Thomas "Tom" R. Harbaugh
East Berlin
6-24-10
Zone 2



S. Eugene "Gene" Herritt
Shippensburg
6-24-85
Zone 8



William "Bill" E. Myers
Glennville
6-20-09
Zone 5



F.L. "Ray" Schwartz
Fairfield
6-10-06
Zone 1

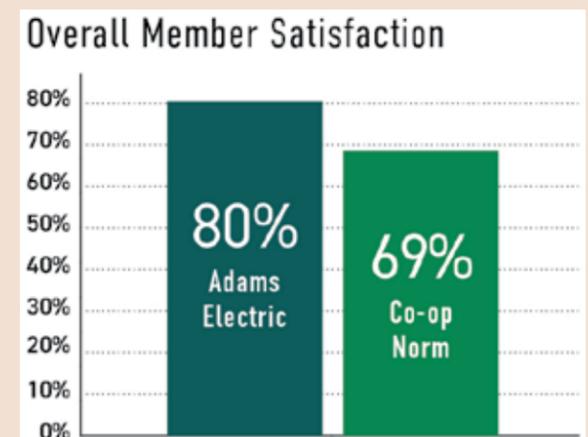
Survey Shows Great Member Satisfaction

Adams Electric Cooperative is at the top of its field for member satisfaction, according to a telephone and online survey that compared the cooperative's performance against peer groups and top energy utilities across the country.

The results, when compared to data from similar surveys in 2002, 2006, 2012 and 2015, show 15 years of positive growth and survey outcomes. In 2017, overall satisfaction with Adams Electric continues to be excellent with an overall mean rating of 9.26 (on a 1-10 scale).

Ratings for Adams Electric on all four of the American Customer Satisfaction Index (ACSI) measures are much higher than the "Co-op Norm." The Co-op Norms represent 79 electric co-ops from across the nation who surveyed 75,000 of their residential members. These co-ops value, monitor and measure the satisfaction of their members and therefore represent higher performing organizations.

Adams Electric's 2017 ACSI score was 90 and its retention estimate (percentage of members who would choose Adams Electric again) is 86 percent. Both of these scores are higher than those seen in 2015.



Giving Back to the Community

In 2017, Adams Electric supported more than **70** different community organizations across its five-county service territory with donations totaling close to **\$80,000**, including support of member assistance programs such as Project Helping Hand, plus relief efforts for U.S.-based cooperatives following hurricanes Harvey and Irma.



Additionally, in accordance with Adams Electric's matching charitable donations policy, employees were able to give back more to important causes by **employee matching donations of more than \$5,000** to organizations like Relay for Life, the Children's Miracle Network®, Project Helping Hand, juvenile diabetes and school/sports-based programs.



TOY DRIVE CAMPAIGN A SUCCESS: Gettysburg member services employees take stock of some of the toys donated during the cooperative's "Stuff the Bucket" campaign in December. Over 300 items were collected in decorated co-op bucket liners at district offices to benefit pre-teens in need in Shippensburg, Gettysburg and York.



Gathering Pennies for Power



RAISING MONEY FOR THE CAUSE: Shippensburg member services employees prepare their office for members who visit during the first-annual Pennies for Power Project Helping Hand (PHH) campaign. The October fundraiser asked members and employees to donate to Adams Electric's member assistance program, PHH, by visiting a district office, registering for the Round-Up program, donating online, or in-person. The campaign culminated with a "Give Day" lunch in each district office. The promotion raised over \$3,500 for PHH and signed 44 new members up for the Round-Up program.

Volunteers Fulfill the Co-op Mission

THE SCHOLARSHIP COMMITTEE is made up of nine Adams Electric volunteers. The committee selects recipients of Adams Electric scholarships for high school seniors from applicants not attending one of the 17 public schools in the co-op's service territory. This committee also selects winners of the co-op's adult scholarship program. A term is three years.

2017 SCHOLARSHIP COMMITTEE: Stan Allen, Karen Baum, Lorena Cutshall, Caitlin Faas, Deborah Ginter, Lucinda Heller, Jay Herman and Carolyn Kilgore

THE CREDENTIALS AND ELECTION COMMITTEE is an independent body of co-op members who oversee the director election process. The committee meets each year to certify petitions of candidates running for seats on the co-op's board of directors and to certify votes cast in the primary and general elections. A term is one year.

2017 CREDENTIALS AND ELECTION COMMITTEE: Charles Adler, Arton Hamme, Juanita Harner, John Kasarda, Cynthia King, Barry Lipschultz, Francis Mayer, David Miller, Gerald Myers, Frank Whitcraft, Richard White and Janice Yingling

THE MEMBER ADVISORY COMMITTEE (MAC) is made up of member-volunteers (three from each of the nine director zones and their spouses) who meet at least twice a year. This committee acts as a sounding board and focus group for the cooperative's board and management staff. A term is two calendar years, with a maximum of three consecutive terms (total of six years).



Scholarship Awards

EDUCATION CHANGES LIVES: Adams Electric awarded \$1,000 scholarships to 10 of its adult members in September to help them continue their education (shown above). The high school scholarships hit its 10-year anniversary when the co-op awarded 21, \$1,000 scholarships in March. In its 10-year history, the co-op's scholarship program has awarded over \$250,000. The winners of both programs are chosen from among the applications, reviewed by the co-op's volunteer Scholarship Committee and approved by the board of directors. Both programs are funded with unclaimed Ownership Rewards and do not affect member rates.

Wellness



AT THE FINISH: Runners in Adams Electric's third annual Light the Way 5K Walk/Run raised more than \$6,500 for Project Helping Hand. Winners overall in the male and female categories are awarded for their top finishes. Congratulations to, from left: third-place finisher William Stehley of East Berlin, second-place finisher Seth Smith of York Springs, first-place finishers Chad Long of East Berlin, and Rachael Black of Abbottstown, second-place finisher Nicole Starner of East Berlin, and third-place finisher Emily Frye of Hanover.

Wellness Initiatives Make Difference To Employees

In 2017, Adams Electric received the Bronze Level Workplace Health Achievement recognition for the second year in a row. This recognition is a science-based and evidence-informed measurement that assesses and recognizes workplace health programs. Adams Electric launched its wellness program in 2009 and continues to expand its wellness initiatives each year. The annual program includes on-site fitness equipment, plus annual health screenings, walking programs, brain health initiatives, weight management programs and newsletter campaigns.

Concern for Community



Matt Leininger, center, and Jo Brindley of the American Red Cross, accept a \$10,000 donation from Adams Electric Cooperative CEO/General Manager Steve Rasmussen to be used to provide emergency services to those living and working in south central Pennsylvania. Half of the donation was provided by CoBank, a national cooperative bank based in Denver, Colo., as part of the bank's Sharing Success donation matching program. CoBank serves vital industries across rural America.

Employees

The People Behind the Power

EMPLOYEES INVEST SKILLS AND HOURS TO BRING COOPERATIVE MEMBERS POWER DAY IN AND DAY OUT. THESE ARE THE PEOPLE BEHIND THE POWER:

Eric Altice
 Brian Atherton
 Shane Atherton
 Brooke Balek
 Brandon Beard
 Reneé Benner
 Kim Bloom
 Dave Bolton
 Vic Brammann
 Cindy Brodbeck
 Rodger Brough
 Meredith Catchings
 Mike Chamberlin
 Jim Chiaruttini
 Bill Collingsworth
 Michele Colyer
 Mark Cramer
 Kevin Dehoff
 Shawn Dehoff
 Lori Dewees
 Georgie Drowsky
 Michelle Druck-Mitchell

Mike Feathers
 Jon Fetter
 Matt Forbes
 Sarah Frank
 Guy Gorman
 Terry Hancock
 Karen Harner
 Mike Hawbaker
 Jayme Hawn
 Stacey Haynes
 Ty Hensley
 Lisa Hertzog
 Gary Hodges
 Jordan Hoke
 Wayne Huntsberry
 Mike Johnson
 Duane Kanagy
 Lori Kemper
 Cecil Knotts
 Cortney Knotts
 Laura Koontz

Jay Kroeze
 April Krumrine
 Kornell Kuntz
 Andrew Kuykendall
 Dan Leonard
 Sarah Malewicki
 Tony McCauslin
 Mike McKinney
 Tom McMaster
 Tyler Miller
 Andrew Mummert
 Craig Mummert
 Kelly Murren
 Kami Noel
 Rich Ohler
 Mitch Orchowski
 Steve Rasmussen
 Travis Rawlings
 Rich Redding
 Jill Rickle
 Max Rinehart

Tasha Sanders
 Brian Shearer
 Jim Siglin
 Kyle Smith
 Rick Smith
 Vicki Smith
 Tony Spangler
 Jake Strausbaugh
 George Taughinbaugh
 Chad Thoman
 Dina Topper
 Sheila Tosten
 Jeff Turner
 Brad Varner
 Adam Waldron
 Lynn Wallas
 Cathy Waltz
 Mike Ward
 Josh Wayne
 Lisa Willet
 Rebecca Witherow



Financial Reports

Calendar Years
2016 and 2017

CONSOLIDATED STATEMENTS OF OPERATION

OPERATING REVENUES	2017	2016	\$ CHANGE	% CHANGE
Electric Sales Revenue	\$62,102,587	\$63,638,917	\$(1,536,330)	-2.4%
Other Electric Revenue	1,188,137	1,463,480	(275,343)	-18.8%
Total Operating Revenues	\$63,290,724	\$65,102,397	\$(1,811,673)	-2.8%
OPERATING EXPENSES				
Wholesale Energy Supply	\$36,112,933	\$37,492,380	\$(1,379,447)	-3.7%
Variable Operating Expense	16,804,163	15,962,647	841,516	5.3%
Depreciation On Assets	4,883,615	4,531,571	352,044	7.8%
Interest On Long-Term Debt	3,842,874	3,677,877	164,997	4.5%
Total Operating Expenses	\$61,643,585	\$61,664,475	\$(20,890)	0.0%
MARGINS				
Operating Margin	\$1,647,139	\$3,437,922	\$(1,790,783)	-52.1%
Non-Operating Margin	2,212,874	2,240,148	(27,274)	-1.2%
Total Margins	\$3,860,013	\$5,678,070	-1,818,057	-32.0%

CONSOLIDATED BALANCE SHEETS

ASSETS	2017	2016	\$ CHANGE	% CHANGE
Net Utility Plant Investments	\$140,986,619	\$131,237,064	\$9,749,555	7.4%
Other Long-Term Investments	21,778,316	20,885,290	893,026	4.3%
Member Energy Efficiency Loans	305,183	453,927	(148,744)	-32.8%
Cash & Temporary Investments	1,667,950	4,851,561	(3,183,611)	-65.6%
Account Receivables	8,364,098	7,954,837	409,261	5.1%
Material & Supply Inventories	1,117,288	1,070,768	46,520	4.3%
Other Assets & Deferred Charges	5,344,593	3,929,751	1,414,842	36.0%
Total Assets	\$179,564,047	\$170,383,198	\$9,180,849	5.4%
LIABILITIES & EQUITIES				
Lender Long-Term Loans	\$106,375,278	\$99,527,723	\$6,847,555	6.9%
Lender Line Of Credit Loans	2,945,042	0	2,945,042	0.0%
Member Credit Deposits	811,339	803,295	8,044	1.0%
Major Storm Reserves	1,022,000	762,554	259,446	34.0%
Account Payables	5,557,426	8,325,668	(2,768,242)	-33.2%
Other Liabilities & Deferred Credits	5,298,787	5,344,294	(45,507)	-0.9%
Member Equities	57,554,175	55,619,664	1,934,511	3.5%
Total Liabilities & Equities	\$179,564,047	\$170,383,198	\$9,180,849	5.4%

Calendar Years
2016 and 2017

Financial Reports

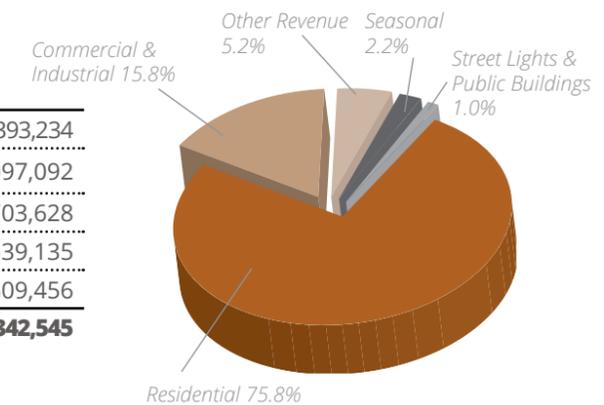
CONSOLIDATED STATEMENTS OF MEMBER OWNERSHIP REWARDS & EQUITIES

OWNERSHIP REWARDS & OTHER EQUITIES	2017	2016	\$ CHANGE	% CHANGE
Pre-Retirement Ownership Rewards	\$54,553,505	\$52,551,536	\$2,001,969	3.8%
Retirement Amount To Members	(2,004,101)	(1,834,594)	(169,507)	9.2%
Year-End Ownership Rewards	\$52,549,404	\$50,716,942	\$1,832,462	3.6%
Other Equities	4,404,766	4,252,827	151,939	3.6%
Ownership Rewards & Other Equities	\$56,954,170	\$54,969,769	\$1,984,401	3.6%
Refundable Memberships	600,005	649,895	(49,890)	-7.7%
Total Member Equity	\$57,554,175	\$55,619,664	\$1,934,511	3.5%

SOURCES OF REVENUE

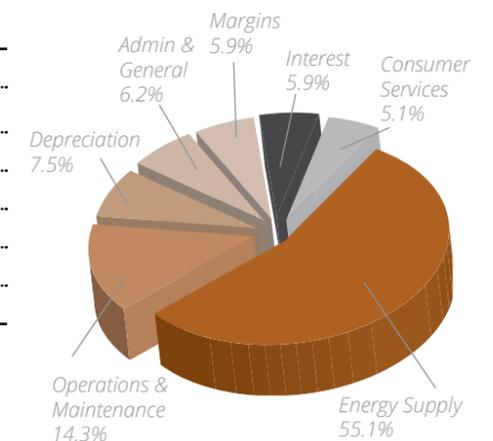
SOURCE	2017	2016
Residential	75.8% \$49,658,208	76.3% \$51,393,234
Commercial & Industrial	15.8% 10,359,179	15.0% 10,097,092
Other Revenue*	5.2% 3,401,011	5.5% 3,703,628
Seasonal	2.2% 1,433,973	2.3% 1,539,135
Street Lights & Public Buildings	1.0% 651,227	0.9% 609,456
Total	\$65,503,598	\$67,342,545

*Other revenue includes non-operating margin and other revenues



USES OF REVENUE

SOURCE	2017	2016
Energy Supply	55.1% \$36,112,933	55.7% \$37,492,380
Operations & Maintenance	14.3% 9,375,497	12.4% 8,332,586
Depreciation	7.5% 4,883,615	6.7% 4,531,571
Admin & General	6.2% 4,063,362	6.0% 4,040,182
Margins	5.9% 3,860,013	8.4% 5,678,070
Interest	5.9% 3,842,874	5.5% 3,677,877
Consumer Services	5.1% 3,365,304	5.3% 3,589,879
Total	\$65,503,598	\$67,342,545



Complete audited financial statements are available from Adams Electric Cooperative, Inc.'s headquarters. The independent audit of the 2016 and 2017 financial statements was compiled by the certified public accounting firm of Adams, Jenkins & Cheatham, Midlothian, Va.



Director Dan Eisenhart visits with members and their families at the co-op's first-annual Pennies for Power GIVE lunch held in October.



**Adams Electric
Cooperative, Inc.**

® A Touchstone Energy® Cooperative 

SERVICES/BILLING

888/232-6732

EMERGENCY SERVICES

800/726-2324

ADAMSEC.COOP



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Gettysburg, PA 17325-1055
717/334-9211

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Gettysburg, PA 17325
717/334-2171

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Shippensburg, PA 17257
717/532-2214

YORK DISTRICT

200 Trinity Road
York, PA 17408
717/792-3666