

# 2010 Annual Report



1940-2010

*Bridging the Gap From Darkness to Light*

*A supplement to Carolina Country*

# Leading the Way

*Pictured left to right:*

**Kelly Harrington**, vice president,  
District 1  
**William “Brent” Jackson**, District 5  
**Carlton Martin**, treasurer, District 4  
**Mary Talley**, District 6  
**Glenn Riddle**, District 8  
**Shae Darden**, District 2  
**William E. Tew Jr.**, secretary,  
District 7  
**Buddy G. Creed**, EVP & CEO  
**George Williams**, At-Large  
**Francis Clifton**, president, District 3



# From Darkness To Light

As late as the mid-1930s, nine out of 10 rural homes were without electric service.

The unavailability of electricity in rural areas kept their economies entirely and exclusively to agriculture. Factories and businesses preferred to locate in cities where electricity was available.

For many years, investor-owned power companies ignored the rural areas of the nation, except in areas where they could make a profit for their shareholders.

When President Franklin D. Roosevelt took office in 1933 and began his New Deal programs, the idea of providing federal assistance for rural electrification gained support rapidly. On May 11, 1935, Roosevelt signed Executive Order No. 7037 establishing the Rural Electrification Administration, or REA. It was not until one year later that the Rural Electrification Act was passed, and the lending program that became the REA got underway.

In the late 1930s the agriculture agents in Cumberland and Sampson counties began promoting the idea of rural electrification. Group meetings were held in stores and schools.

People were skeptical at first, but they began to accept the concept as their questions were answered by representatives in Washington, D.C.

A group of local activists began holding meetings and trekking door-to-door garnering the support of their neighbors to form an electric cooperative. On June 15, 1940, South River EMC received its charter from then North Carolina Secretary of State Thad Eure.

The first loan from the REA was in

the amount of \$270,000 for the construction of facilities.

Within four years following the end of World War II, the number of rural electric systems doubled, the number of consumers connected more than tripled and the miles of energized line grew more than five fold. By 1953, more than 90 percent of U.S. farms had electricity.

Today, most rural electrification is the product of locally owned electric cooperatives that got their start by borrowing funds from REA to build lines and provide service on a nonprofit basis. Today the REA is the Rural Utilities Service and is part of the U.S. Department of Agriculture.

There are now 864 electric cooperatives in the United States that provide electric service to 42 million people in 47 states.

## Vital Statistics

### *Cooperatives:*

- Own \$112 billion in assets
- Own and maintain 2.5 million miles, or 42%, of the nation's electric distribution lines
- Deliver 10 percent of the total kilowatt hours sold in the U.S. annually
- Employ 70,000 people
- Retire \$545 million in capital credits annually
- Pay \$1.4 billion in state and local taxes



# Working To Secure Our Energy Future

*by South River EMC President Francis Clifton and CEO Buddy G. Creed*

As we reflect on 2009 we will remember a year of great challenge for our government, our economy and our industry. Although through it all we prevailed unified and heading toward a brighter future, there is a lot of work ahead.

Energy has quickly emerged as a topic of national importance. Energy policy has been vigorously debated in Congress and several bills have been submitted for consideration to the House of Representatives and the Senate.

In June, the House passed the American Clean Energy and Security Act (also known as the cap-and-trade bill) by a narrow margin of eight votes. There was so much discussion of the tremendous cost of this bill and the impact on the economy that the Senate has not voted on any climate change legislation.

Your electric cooperative has joined forces with the other 863 cooperatives nationally to ensure that your best interests are represented.

As not-for-profit, member-owned electric cooperatives we advocate for responsible energy policy

that secures our energy future.

As part of this national discussion, the cooperatives kicked off the Our Energy Our Future and Find A Balanced Solution campaigns to help educate our members on

these complicated topics, while providing you with a means to communicate with your elected officials and have your voices heard when it comes to energy policy and how it will affect you. These programs represent a true grassroots effort.

The issue of climate change legislation has different meaning to different people and many people feel passionately about their points of view. We respect

all views on the issue, but we are asking our elected officials to take the time to craft legislation that meets environmental goals without sacrificing the affordability of electricity.

Another important aspect of energy policy is generation. The cooperatives have dedicated a great amount of time imploring politicians to take a close look at the growing need for new generation facilities in the United States. Even with increased energy efficiency and the integration of renewable energy resources, the demand



for new generation is increasing and it will outstrip available electric generation capacity if new facilities are not built soon.

In early 2009, political leaders would not make concessions regarding a lift of the moratorium on the permitting and construction of new nuclear generating facilities.

The electric cooperatives and many other groups quickly sprang into action to educate the Legislators on the importance of affordable, emission-free electric power in our country. Finally, in February of this year, the administration announced an \$8.3 billion loan guarantee for a nuclear project partnership in Georgia. Additionally, the Department of Energy is expected to announce projects in Maryland, South Carolina and Texas.

Although this is definitely a victory, we still have to contend with rising electricity prices. Our cooperative, like many utilities, has been profoundly affected by rising costs of fuel; the increased demand, competition and prices of materials needed to make necessary items such as poles, transformers and conductor; and other soaring costs of daily business operations.

These increases were reflected in the use of the Wholesale Power Cost Adjustment, or WPCA, on bills throughout the year. In March 2010, we discontinued the use of the WPCA after implementing a change of our base rates.

As costs continue to rise, we are making many changes at the cooperative to be more efficient. We

are taking advantage of technological advances to perform duties more effectively with fewer personnel. Moreover, as we experience retirements, 15 in the past two years, we are combining duties and allocating responsibilities among existing staff so we can hire fewer people without sacrificing service and reliability.

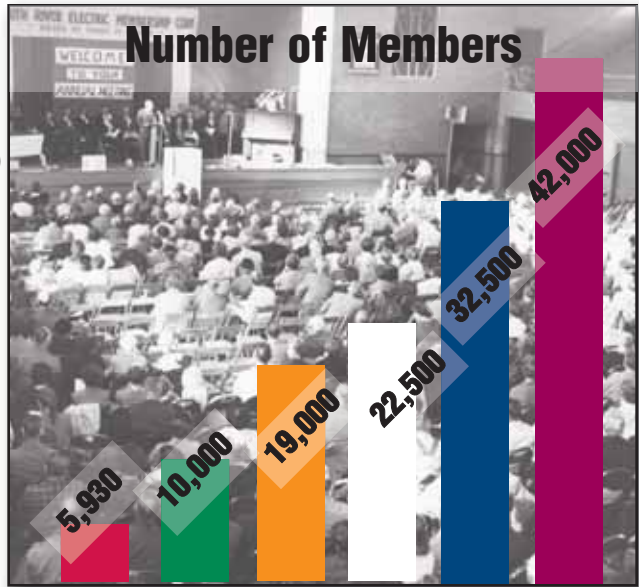
We will continue to work on your behalf in Raleigh and Washington, D.C. Although it appeared that the climate change debate was over, it has begun to rise again and there is still movement toward cap-and-trade and continuing the support of allowing the Environmental Protection Agency to regulate greenhouse gases under the Clean Air Act.

We will continue to keep an open dialog with our elected officials on behalf of South River EMC's 42,000 members as well as the 42 million electric cooperative members nationally. Collectively, we serve as a larger unified non-partisan voice for the people, by the people.

We vow to continue to fight for our energy future, to protect the environment and our economy and to raise awareness of the dangers of poorly-planned and executed energy policy. We will continue to keep you informed of how political policies affect you. We will insist that cooperatives have a seat at the table when energy policy is discussed and debated. We will uphold our cooperative core values.



# 70 Years Of Growth



1949 1965 1975 1985 1996 2009



Former Serviceman Charles Darden

## Total Assets

1955	\$3,848,735
1964	\$5,581,796
1979	\$19,052,855
1990	\$43,402,508
2009	\$167,248,473

	2008	2009
<b>Assets</b>		
Electric Plant at Original Cost	\$169,514,869	\$179,838,768
Less Depreciation	36,444,520	39,120,927
Net Plant	<b>133,070,349</b>	<b>140,717,841</b>
Cash	2,943,345	3,059,414
Investments	10,980,667	9,398,011
Accounts Receivable	11,531,178	11,630,062
Materials and Supplies	586,579	862,960
Prepayments, Other Accrued Assets and Deferred Debits	2,053,429	1,580,185
<b>Total Assets</b>	<b>\$161,165,547</b>	<b>\$167,248,473</b>

### Liabilities

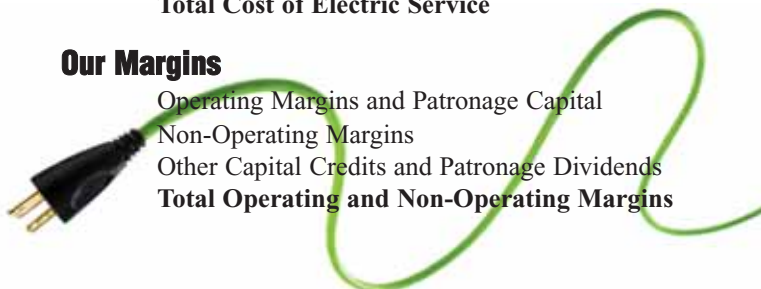
Long-Term Debt - RUS, CFC	\$83,345,142	\$80,982,263
Consumer Deposits	1,861,448	1,993,780
Accounts Payable	8,811,478	7,652,944
Deferred Credits	1,423,885	3,742,144
Other Liabilities	12,801,388	15,680,338
Membership Fees	83,680	80,030
Patronage Capital Other Equities	52,838,526	57,116,974
<b>Total Liabilities</b>	<b>\$161,165,547</b>	<b>\$167,248,473</b>

### Operating Statement

Operating Revenue and Patronage Capital Expenses	<b>\$80,283,144</b>	<b>\$85,641,656</b>
Cost of Purchased Power	49,414,415	54,760,419
Distribution Expense Operations	2,229,115	2,219,182
Consumer Accounts Expenses	3,783,327	3,783,522
Customer Service and Information Expenses	2,209,041	1,928,503
Administration General Expenses	3,042,874	2,951,286
Maintenance Expenses	3,715,158	4,242,101
Depreciation Amortization	5,284,835	5,340,765
Taxes	2,548,963	2,788,072
Interest on Long-Term Debt	4,119,553	4,234,142
<b>Total Cost of Electric Service</b>	<b>\$76,347,281</b>	<b>\$82,247,992</b>


### Our Margins

Operating Margins and Patronage Capital	<b>\$3,935,863</b>	<b>\$3,393,664</b>
Non-Operating Margins	323,914	272,731
Other Capital Credits and Patronage Dividends	786,578	995,679
<b>Total Operating and Non-Operating Margins</b>	<b>\$5,046,355</b>	<b>\$4,662,074</b>





# South River Electric Membership Corporation

A Touchstone Energy® Cooperative 

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