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2009 Annual Report



South River Electric
Membership Corporation

A Touchstone Energy® Cooperative



Board of Directors



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 “Bill” Tew Jr., secretary, District 7
Buddy G. Creed, EVP & CEO
George Williams, At-Large
Francis Clifton, president, District 3



America's Energy Crisis

America is heading for an electricity crisis. Increasing demand. Rising rates. Carbon reductions. Transmission overload. There are many issues currently being discussed in Washington, D.C. that can directly impact your electric bill. If Americans want to keep electricity safe, reliable and affordable, Congress and America's electric cooperatives must work together.

Electricity Supply

Will we have the power we need in the future?

The Energy Information Administration (EIA) estimates demand for electricity will grow 26 percent by 2030, requiring a total of 258,000 new megawatts unless extraordinary efficiency measures are adopted.



Technology

Investments in energy research and development (R&D) declined precipitously in recent years. While investment in research and development overall is roughly 3 percent of gross domestic product, it is roughly one-tenth that in the energy sector. By contrast, R&D investments in the medical and biotechnology field are roughly 15 percent of sales.



Affordability

In the last five years, utility bills have risen 30 percent. In North Carolina, California, Florida, Oklahoma, Virginia, Texas and elsewhere, consumers will be paying more for electricity. The rising cost of fuel combined with the rising cost of building new generation mean that electric rates will increase even if we do nothing to address climate change.



Take Action

Contact your elected officials and have your voice heard.

- Visit www.ourenergy.coop for more information on these topics or to send an e-mail.
- Write or call your elected officials at 1-877-40BALANCE and ask what they plan to do to keep energy rates affordable.

For more information visit our Web site at www.findabalancedsolution.com.

A New Energy Frontier

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

As we look back at 2008 and forward to 2009 there is one resounding message: we are in an industry that, in a short time, will look different and operate differently, for the most part, because of government regulation.

The topic of climate change and greenhouse gases, such as carbon dioxide, has taken on a life of its own. It seems that you could have a room full of scientists and they each would have differing views on the topic. However, science aside, it is clear that President Obama and Congress will tackle the topic of climate change in the form of legislation this year.

North Carolina is ahead of the curve on this issue. In 2007 the state's general assembly passed the Renewable Energy (and Energy Efficiency) Portfolio Standard, or REPS, which requires electric utilities to have a percentage of their energy come from renewable sources or be curtailed through energy efficiency measures. The mandate gradually phases in the requirements through three primary benchmarks:

Target Year	Percentage Goal	
2012	3%	2011 sales
2015	5%	2014 sales
2018	10%	2017 sales

The legislation does allow for an “off ramp” if costs get too high for utilities and their consumers, but we are making every effort not to meet that cap. Your Cooperative is embracing renewable energy and concentrating a lot of effort on energy efficiency through the distribution and promotion of the use of CFLs and many other efficiency measures.

Federally, the president has vowed to address climate change, renewable energy and energy efficiency. The American Recovery and Reinvestment Act, or the \$787 billion stimulus package, passed by the U.S. Congress in February has provisions for \$50 billion earmarked for energy efficiency programs and renewable energy. Obama intends to create a new “green collar” workforce in the coming years.

However, the \$50 billion is only enough to get the ball rolling. The transformation of the electric utility industry will come with a high price tag for utilities, thus higher electric bills.

We realize that we can not stop these changes from happening and we can not prevent the increases, however we want you to know that we are working with our legislators to have some impact on how carbon will be regulated and how it will affect you.

As part of the new green economy, the president has stated his intent to regulate carbon emissions. He has directed Congress to address this issue through legislation. We are confident



that the new legislation will contain a national REPS as well as an efficiency standard. The Obama Administration has laid out a plan to create a cap-and-trade market to regulate carbon emissions.

Speaker of the House Nancy Pelosi (D-CA) has called for a bill for discussion on her desk by Memorial Day. Chairman of the Energy and Commerce Committee Henry Waxman (D-CA) has said that he will move a climate change and an energy bill through his committee in that time. Senate Energy and Natural Resources Chairman Jeff Bingaman (D-NM) floated a draft plan to require power plants nationwide to produce 20 percent of their electricity from renewable sources by 2021

Several committee members suggested allowing nuclear power, which does not emit carbon, to count toward a renewable energy mandate to address climate change and lower costs. This would be a great benefit since nearly one half of the electricity used by North Carolina's cooperatives is generated at nuclear facilities.

The current energy strategy will raise electric rates as much as 40 percent in the next 20 years. This does not include normal increases for fuel costs, materials, inflation, etc.

Although we don't know exactly how the final

legislation will look we know that it will address climate change directly targeting electric utilities. We do know that renewable energy is more expensive to generate than traditional fuels. We know that the nation's transmission system does not currently allow for the transfer of renewable energy from the areas best suited for it to the areas where the energy is needed. We also know that the nation is headed toward a time when the demand for electricity will outstrip generation capacity ~ in some areas this will occur in the next two years. All of these factors combined indicate that we have a lot of ground to cover in a short amount of time.

Your cooperative leaders are working with our legislators to have your voices heard. We are taking steps to help reduce the increases that will flow down to your electric bill. We are serving as your voice on these issues.

Our friends in Congress are looking to the cooperatives to provide the view of the people—we will work as advisors and advocates. We plan to work the halls of the Legislature in Raleigh as well as Washington, D.C. to appeal to our elected officials to keep cost top of mind in any decisions they make regarding energy policy.

You can help us in this task. We are asking all of our members to have their voices heard. Please write or call your elected representatives. Visit www.findabalancedsolution.com for more information

It will take us all working together to chart our energy future. A future that offers hope, promise and *affordability* for us all. We will continue to work for you and your family to provide reliable electric service at reasonable rates.

Operation Round Up

Since May, South River EMC has been supporting the communities we serve through Operation Round Up. This is a voluntary program in which members have their electric bill rounded up to the next whole dollar. By doing this, members put their nickels and dimes to work and benefit their friends and neighbors. Operation Round Up provides a financial boost for the community in the form of grants.



In the seven months we collected in 2008, the program raised \$127,578.51 and made \$355.10 of interest. The total amount of money disbursed to the community was \$84,782.53 leaving a year-end balance of \$43,151.08. This is an outstanding beginning to a program that we know will continue to have success for our communities. Thank you to all who choose to donate to Operation Round Up to help build a stronger community, one cent at a time.

Grant Recipients	Amount of Grant
Hope Mills Family YMCA	\$4,793.28
Tuscarora Council, BSA	\$3,240
Better Health of Cumberland County	\$5,000
Kingdom of God Ministries	\$5,000
Fayetteville Family Life Center	\$5,000
Retired Senior Volunteer Program	\$5,000
Sampson Crisis Center, Inc.	\$5,000
The Salvation Army	\$5,000
Open Door Ministries	\$5,000
City of Dunn Police Athletic League	\$3,400
Think Smart Outreach Center	\$5,000
Cedar Point Community Outreach Center	\$4,000
Bright Ideas Grant program	\$18,000
Lillington-Shawtown Elementary	\$7,129
Individual Members	\$5,283.14

Financial Highlights

	2007	2008
Assets		
Electric Plant at Original Cost	\$159,704,465	\$169,514,869
Less Depreciation	35,310,961	36,444,520
Net Plant	124,393,504	133,070,349
Cash	2,654,460	2,943,345
Investments	11,025,072	10,995,331
Accounts Receivable	8,953,970	11,531,178
Materials and Supplies	607,374	669,465
Prepayments, Other Accrued Assets and Deferred Debits	2,541,574	1,568,725
Total Assets	\$150,175,954	\$160,778,393
Liabilities		
Long Term Debt - RUS, CFC	\$78,092,789	\$83,345,142
Consumer Deposits	1,714,583	1,861,198
Accounts Payable	8,252,943	8,925,848
Deferred Credits	2,590,117	1,423,885
Other Liabilities	10,860,195	12,252,057
Membership Fees	88,660	83,680
Patronage Capital Other Equities	48,576,667	52,886,583
Total Liabilities	\$150,175,954	\$160,778,393
Operating Statement		
Operating Revenue and Patronage Capital Expenses	\$80,392,218	\$80,283,144
Cost of Purchased Power	50,017,280	49,414,415
Distribution Expense Operations	2,362,281	2,229,115
Consumer Accounts Expenses	3,744,322	3,783,077
Customer Service and Information Expenses	2,148,274	2,209,041
Administration General Expenses	3,024,997	3,042,874
Maintenance Expense	3,551,873	3,746,642
Depreciation Amortization	4,918,676	5,284,835
Taxes	2,567,590	2,548,963
Interest on Long Term Debt	3,979,073	4,119,553
Total Cost of Electric Service	\$76,314,366	\$76,378,515
Our Margins		
Operating Margins and Patronage Capital	\$4,077,852	\$3,904,629
Non-Operating Margins	525,939	338,578
Other Capital Credits and Patronage Dividends	395,893	786,578
Total Operating and Non-Operating Margins	\$4,999,684	\$5,029,785

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