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South River Electric Membership Corporation

ANNUAL REPORT

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Democratic Member Control

Your Board of Directors

Standing (L to R): Dorcas Fisher, district 5; Vice President Kelly Harrington, district 1; C. Wayne Collier Jr., district 7; Executive Vice President & CEO Chris Spears; Treasurer George Williams, at-large; Jeffrey Martin, district 4; Secretary Clifton McNeill Jr., district 8; and Sue Flowers, district 2. Seated: President Dr. E. Sue Godwin-Baker, district 6 and Francis Clifton, district 3

Financial Stewardship

2017

Assets

Electric Plant at Original Cost	\$251,058,330
Less Depreciation	<u>64,143,033</u>
Net Plant	\$186,915,297
Cash	4,125,908
Investments	24,485,070
Accounts Receivable	11,609,298
Materials and Supplies	4,202,823
Prepayments, Accrued Assets & Deferred Debits	<u>178,790</u>
Total Assets	\$231,517,186

Liabilities

Long-Term Debt - RUS, CFC	\$ 84,802,294
Consumer Deposits	2,605,121
Accounts Payable	6,695,365
Deferred Credits	8,638,596
Other Liabilities	34,395,771
Membership Fees	56,815
Patronage Capital Other Equities	<u>94,323,224</u>
Total Liabilities	\$231,517,186

Operating Statement

Operating Revenue & Patronage Capital Expenses	\$ 94,238,616
Cost of Purchased Power	61,934,399
Distribution Expense Operations	1,565,129
Consumer Accounts Expenses	2,052,604
Customer Service and Information Expenses	2,304,423
Administration General Expenses	5,079,719
Maintenance Expenses	5,040,591
Depreciation Amortization	7,715,456
Taxes	1,495,705
Interest on Long-Term Debt	<u>3,335,508</u>
Total Cost of Electric Service	\$ 90,523,534

Margins

Operating Margins and Patronage Capital	\$ 3,715,082
Non-Operating Margins	325,159
Other Capital Credits and Patronage Dividends	<u>2,175,120</u>
Total Operating and Non-Operating Margins	\$ 6,215,361

unaudited

Meeting Our Vision Through Innovation

The next two pages highlight some of the many accomplishments of the past year. South River EMC strives to provide exceptional service in all aspects of our business.

On-Bill Financing

South River EMC has joined forces with ElecTel Cooperative Federal Credit Union to provide a loan program, which enables members to purchase energy-efficient appliances and equipment and make payments through their electric bills.

Members can purchase a new high-efficiency heat pump, windows, solar panels, a heat pump water heater or even a home generator through the ElecTel CCU Energy Efficiency Loan program. It's easy, just contact the credit union, apply



Chris Spears, executive vice president & CEO and Dr. E. Sue Godwin-Baker, president

for the loan and, when approved, credit union personnel will coordinate with the co-op and the payment is added to the electric account monthly. Easy!

Members' Economic Participation

One of the basic tenets of cooperatives is their non-profit status, and members reap the benefits of any excess margins. In 2017, South River EMC found itself in a unique situation where it had greater revenues than anticipated. Rather than retain the money, they returned it to the members. From April through December the co-op provided a Member Advantage Credit on members' bills. By the end of December, the Cooperative refunded \$2,973,733.

Additionally, the Cooperative retired capital credits from parts of 1998, 1999 and 2016. These refunds totaled \$4,522,087. South River EMC is looking out for co-op members!



System Improvements

Upgrades to several substations to improve protection, automation and breaker control.

- Built 9.6 miles of transmission lines
- Installed UPS devices in 15 substations to aid in communication during outages
- Upgraded 5.85 miles of distribution lines
- Continued retrofit of outdoor lighting to LED and reached 37 percent completion
- Continued pole inspections/replacements
- Researching solutions to lessen system line losses
- Installed wildlife protection devices in seven substations
- Replacing oil-filled breakers with vacuum breakers for cost and space savings
- Signed contracts for 10 new subdivisions

Substation Monitoring, Theft Deterrent & Cyber Security

In 2017, South River EMC installed monitored security in every substation. This system provides intrusion detection and live video monitoring. The system provides a new level of security to help capture and deter would-be copper thieves and provides a greater level of safety for our employees working in substations.

Like all utilities, South River EMC is always under cyber-attack. The Cooperative has installed state-of-the-art firewalls to ensure constant coverage and protection of co-op systems and member data.

Coal Ash Remediation

Recently a variety of state and federal regulations have been passed regarding coal ash management.

As a wholesale customer of Duke Energy, South River EMC is subject to meeting the same regulations and sharing the cost.

South River EMC must pay \$13 million to comply with coal ash regulations. The majority of the costs are from 2018-2022.

South River EMC is looking for opportunities to streamline costs to avoid imposing a wholesale power cost adjustment on member bills to pay for the coal ash associated costs.

At Your Service

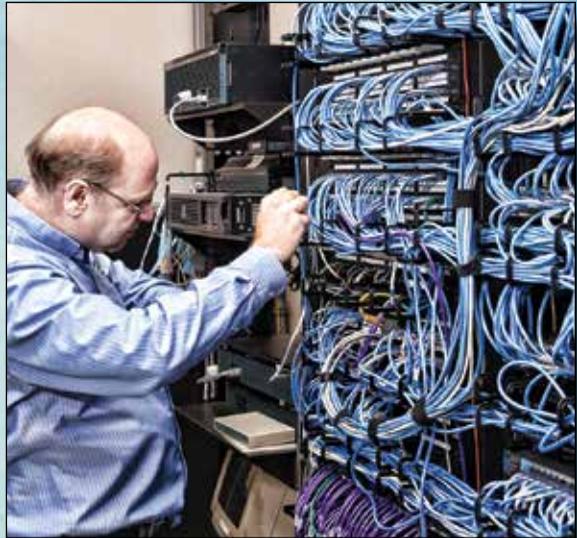
Technology has improved just about every aspect of our lives. South River EMC has embraced technology in order to provide the greatest number of options for members.

South River EMC offers a variety of payment options for their members' convenience to include all major credit cards, e-checks, personal checks, bank payments and cash. Members can make payments over the phone using our automated system, in the office, at a kiosk, online or at an authorized pay site.

Thanks to the automated metering system, members have access to several tools to help manage their energy use. SmartView enables members to review daily energy use and see how weather impacts consumption.

Members with an e-mail on file, receive a SmartEnergy profile monthly to view energy use compared to the previous month and year. The report also provides information about factors affecting energy use and makes suggestions to help save energy and money.

Members can also look at SmartForecast any time to see how much the bill is at any point in the month as well as estimated daily energy use for the upcoming six days, based on weather forecasts and historical energy-use patterns.



Members can also choose to receive a series of alerts to track electric account activity such as a payment receipt, a two-day due date reminder, pending disconnection for non-payment, or if energy use exceeds a predetermined threshold.

South River EMC's payment portal enables members to view and pay a bill, track energy use, report an outdoor light or street light repair, stop service, update information or even move service.

There are also multiple ways to report and track outages. Members can call the office and report an outage via automated system, by speaking to a person or via text. Outages can be tracked on the real-time system map.

South River EMC is embracing technology to operate the electric system, to enhance reliability, limit the size and scope of outages and improve efficiency.



Butler Farms Microgrid

South River EMC and its power supplier, the North Carolina EMC, are collaborating with Butler Farms in Lillington to develop an innovative microgrid system. A microgrid is an electric system that combines local energy resources and battery storage to provide power to the farm and other members in the area. Microgrids can operate independently and connect to the grid.

The Butler Farm microgrid includes a 20 kw solar panel array, a 100 kw diesel generator, a 185 kw bio-gas generator and a 250 kw/735 kwh Tesla battery system. A single controller integrates and manages all components. During normal conditions, the microgrid will connect to South River EMC's distribution system to supplement and diversify traditional power resources. During outages, it can also operate in island mode to power Butler Farms and surrounding homes.



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