



#CoopStrong

CEO's Message

Your Cooperative has been blessed in many ways this past year. Revenues exceeded expectations and we were able to implement another member credit in 2018, which resulted in a \$2.6 million benefit to the membership. The Cooperative also returned more than \$4 million in Capital Credit retirements to the membership. It should be noted that South River EMC has gone more than five years now without a rate increase and there are no plans for one in 2019. Reliability increased as well. We utilize the System Average Interruption Duration Index (SAIDI) to measure reliability. Excluding major storms, South River EMC has experienced a reduction of 37 percent from the average SAIDI for the previous three years.

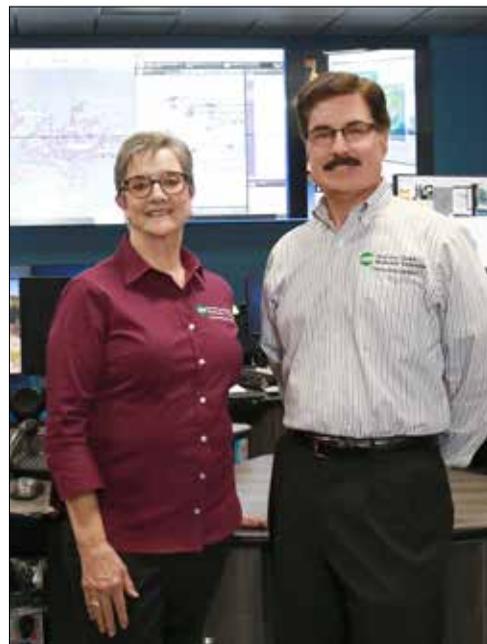
A number of system improvements took place, which include the following: construction began on the Halls Substation to Herman Jackson Substation transmission line, a number of substation upgrades, seven miles of reconductoring, and more.

An aggressive right-of-way clearance program continued as well, along with pole inspections and pole change outs for those that were in need of replacement.

In September, we were faced with another major hurricane, Florence. Your Cooperative rose to the occasion once again and restored power safely and quickly. Power for most, was restored in a few days. I cannot praise or thank enough our outstanding team of employees and all those who came to assist us in restoring power.

Our member satisfaction scores are up too. In the 4th quarter of 2018, overall satisfaction was 9.02 and the American Customer Satisfaction Index (ACSI) saw an increase from 82 to 86.

On a sad note, we said goodbye to a dear friend in 2018, former board president, Francis H. Clifton. He passed away in June at the age of 82. His leadership continues to have a positive and lasting impact on South River EMC. He is missed greatly.



President Dr. E. Sue Godwin-Baker and Exec. VP and CEO Chris M. Spears

System Improvements

- Replaced 3.4 miles of line in the Roseboro area to provide greater reliability.
- Performed substation upgrades in the Eureka and Anderson Creek areas to upgrade the facilities and reduce maintenance costs.
- Built three-phase service into the Cedar Creek Business Park in Cumberland County to serve the Campbell's Soup distribution center.
- Began construction on 6.1 miles of transmission line that will provide greater back-feed options to improve the resiliency and reliability of service in the Godwin/Autryville area.

Commitment to Safety

The RESAP (Rural Electric Safety Achievement Program) is a comprehensive safety program of the nation's electric cooperatives. This program uses a framework for continuous improvement to increase safety performance and support a culture of safety.

Cyber Security & Technology

- Two-factor authentication has been implemented on all Cooperative servers to provide greater cyber security measures.
- Installed new Hyperconverged storage and computing infrastructure for more efficient handling of data and to improve disaster recovery capabilities.
- A new 10 gigabyte data center was installed to garner the greatest speed and efficiency from our computer networks as well as improve cyber security.

RESAP inspections are held every three years to look at the safety systems and processes that create a safe working environment. South River EMC underwent an unannounced, rigorous safety inspection in August and passed with high marks.

Financials

Assets

Electric Plant at Original Cost	\$ 261,060,017
Less Depreciation	<u>67,292,523</u>
Net Plant	\$ 193,767,494
Cash	1,801,437
Investments	26,965,785
Accounts Receivable	14,953,149
Materials and Supplies	2,681,507
Prepayments, Accrued Assets & Deferred Debits	<u>915,238</u>
Total Assets	\$ 241,084,610

Liabilities

Long-Term Debt - RUS, CFC	\$ 80,669,058
Consumer Deposits	2,609,372
Accounts Payable	10,717,580
Deferred Credits	5,890,865
Other Liabilities	41,445,830
Membership Fees	54,565
Patronage Capital Other Equities	<u>99,697,340</u>
Total Liabilities	\$ 241,084,610

Operating Statement

Operating Revenue & Patronage Capital Expenses	\$ 97,726,847
Cost of Purchased Power	63,193,089
Distribution Expense Operations	1,545,275
Consumer Accounts Expenses	2,459,344
Customer Service and Information Expenses	2,440,539
Administration General Expenses	4,955,096
Maintenance Expenses	4,605,595
Depreciation Amortization	8,015,498
Taxes	1,476,315
Interest on Long-Term Debt	<u>3,276,315</u>
Total Cost of Electric Service	\$ 91,967,066

Margins

Operating Margins and Patronage Capital	\$ 5,759,781
Non-Operating Margins	394,792
Other Capital Credits and Patronage Dividends	<u>2,637,090</u>
Total Operating and Non-Operating Margins	\$ 8,791,663

Greater Efficiency

In an effort to save money and streamline operations, South River EMC chose a new banking partner in 2018. As part of the change, a lockbox was implemented to post member bills quicker and more efficiently.

Commitment to Community

South River EMC takes to heart our commitment to community. In 2018, the Bright Ideas Grant program funded 40 classroom projects totalling nearly \$60,000. Since 1993, South River EMC has awarded \$1.1 million in grants.

Through Operation Round Up, you helped fund 39 grants equaling \$195,403 to local emergency service, non-profit and educational organizations. Since 2008, you have donated \$1.98 million to the community through Operation Round Up.

Strength Through Leadership



Board of Directors and CEO

(left to right) Dorcas Fisher, Treasurer George Williams, J.W. Simmons, President E. Sue Godwin-Baker, CEO Chris M. Spears, Jeffrey Martin, Secretary Clifton McNeill Jr., Sue Flowers. Seated: Wayne Collier and Vice President Kelly Harrington

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