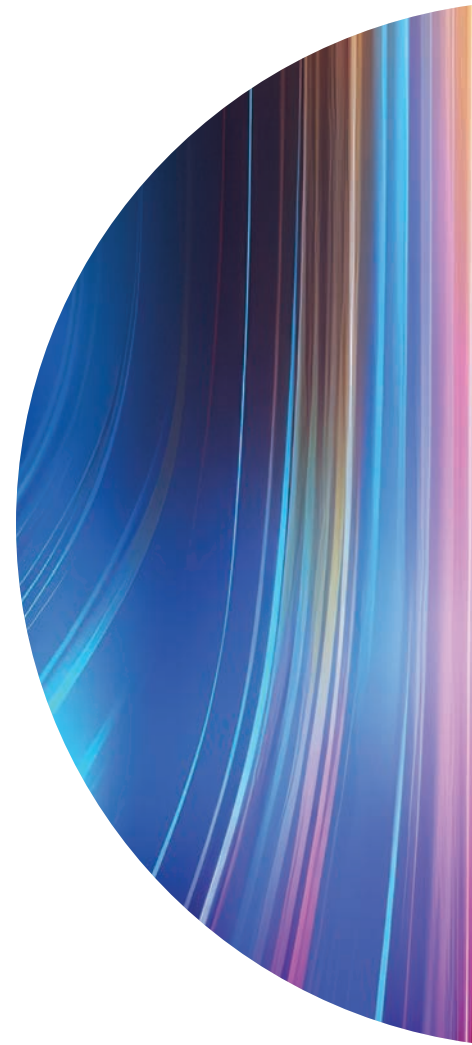


Building
Trust
Through
Reliability,
Affordability
& Advocacy



2025 Annual Report



Chris M. Spears, CEO

CEO Update

Serving our member-owners is a privilege and a blessing. I like to say it is all about the member and that is what drives us. Everything that we do is with you in mind. I hope that we clearly demonstrate our com-

mitment to you each day. At the core of our mission is a pledge to provide you with safe, reliable and competitively priced electricity. Additionally, South River EMC is dedicated to high standards of performance and integrity. Our vision is to achieve excellence and empower our members. We definitely understand that trust is earned and should never be taken for granted.

Surveys continue to confirm that reliability is the top priority of our members. Your Cooperative is constantly making investments in our infrastructure so that we can not only maintain but improve upon resilient and reliable electric service. Building and maintaining an electric distribution and transmission system is a capital-intensive endeavor but we strive to be good stewards and are always seeking a good value for you. In recent years we have added two more substations and a breaker station along with associated transmission lines. Three more are planned as part of our construction work plan. Furthermore, we have conducted more system maintenance, including right-of-way clearance, than ever and are continually making system improvements, inclusive of line replacements, substation upgrades and working toward the ability to backfeed all of our substations. This is being done to enhance resiliency of the grid and to improve reliability as we seek to meet growing demand, while exceeding member expectations concerning reliability and keeping electric service affordable.

We use the System Average Interruption Duration Index (SAIDI) as a way to measure our performance related to reliability. SAIDI measures the minutes that the average member is without power during the year. In 2024, we experienced more summer storms than we have in recent years. Consequently, our SAIDI

number increased from 44.9 minutes in 2023 to 51.4 minutes in 2024. Going back about 10 years, our Cooperative was exceeding 100 minutes and was actually close to 200 minutes in 2016. Our improvement has been significant and sustained. It should be noted that these numbers exclude extreme storms such as hurricanes.

Year	2015	2016	2017	2018
Minutes	109	195	70.1	67.3

2019	2020	2021	2022	2023	2024
64.8	58.3	58.8	46	44.9	51.35

In regard to advocacy, our Cooperative is continually advocating for you at both the state and national level. Additionally, we have leaders at the National Rural Electric Cooperative Association (NRECA) and at our statewide, the North Carolina Association of Electric Cooperatives (NCAEC), which speak on our behalf and provide invaluable assistance and support. Jim Matheson is the CEO of NRECA, and he formerly served as a Democrat U.S. Representative from Utah. Last year in my Annual Meeting Report, I cited a January 2024 op-ed from Mr. Matheson. It was titled Our Broken Energy Policy Could Leave Americans in the Dark. Some of you will recall the rolling blackouts that took place in our state on Christmas Eve 2022 for the first time ever. The demand for electricity is growing significantly and our nation has been falling behind, due to restrictions on new generation and permitting challenges. When Winter Storm Enzo occurred in January, we were put on notice by our power supplier, North Carolina Electric Membership Corporation (NCEMC), to be ready to conduct 10 MW rolling backouts across our system, if necessary. Thankfully, it was not necessary. More recently, Mr. Matheson stated that “As electricity demand skyrockets, America is facing major electric reliability challenges that require bold and decisive action.” He has commented that “the Trump presidency marks an opportunity to reset how Washington approaches the electric sector.” A top priority, supported by NRECA, is the repeal of the EPA Power Plant Rule, which became law last April.

You expect your cooperative to perform strategically, effectively and efficiently. Consequently, we conduct strategic planning every other year and have estab-

lished a number of goals and operating metrics. In the last year our Cooperative developed a financial management plan and policy, which includes equity management; completed a long-range financial forecast; prepared a technology plan; modified a succession plan and updated a 10-year construction work plan. Additionally, our Cooperative sustained line loss below 6% and achieved a SAIDI, minus extreme storms, equal to or less than 65 minutes. Furthermore, and most important of all, your Cooperative was successful at maintaining “No Lost Time Accidents.” We also completed the NRECA Rural Electric Safety Achievement Program review, which takes place every three years and performed well.

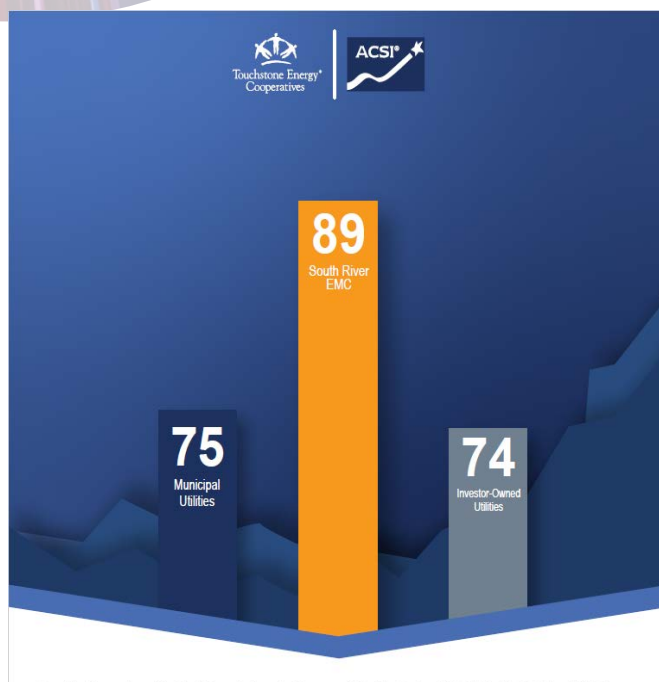
We know cost is important to you. Therefore, I would be remiss if I did not address rate adjustments. In recent years, your Cooperative has experienced significant rate pressure. It is a completely different environment today than it was just a few years ago. Between 2017 and 2019, South River EMC returned more than \$8.5 million in member credits and rebates and still had strong margins. When there was no need to adjust rates, we did not. When the need arose, we initiated the Equalizer and attempted to phase in smaller rate adjustments but costs have accelerated much quicker than expected.

Certainly, the highest rate of inflation in over 40 years has been a major cause for the need to adjust rates. As one example, the cost of a substation transformer has increased from \$379,000 in 2019 to more than \$1.2 million in 2024. This is an increase of more than 220%. Higher interest rates are having an impact as well and are adding \$1.6 million to our operating expenses in 2025. For this year, as outlined in the February Carolina Country, higher wholesale power cost is the biggest driver of the need to increase revenue. Your cooperative pays a power bill each month for the electricity that is used across our system, and it amounts to around 65-70% of our total expense. A year ago, it was estimated that our wholesale power cost, from NCEMC would increase by 1.5% in 2025, however, the difference is actually 8%.

In 2023, South River EMC had a cost-of-service study completed by our rate consultant. Following the 2024 rate adjustment, projections for 2025 called for a small increase in electric rates. However, for the reasons outlined above, your Cooperative was forced to increase the monthly Equalizer in January from \$5 to \$11.20 per 1,000 kwh monthly. Higher costs and expenses also created the need to adopt a larger rate adjustment than planned, which will be implemented in May.

We plan to reduce the Equalizer at this time. Details pertaining to the upcoming rate adjustment were included in the February Carolina Country magazine. In regard to controllable expenses, our Budget limited those to 1.2%, which I believe is noteworthy with everything else increasing much more than 1.2%.

Member satisfaction is always important to us because we are owned by those we serve. In 2024, three out of 4 quarters in the year, South River EMC was recognized by Touchstone Energy as being in the Top 5 American Customer Satisfaction Index (ACSI) Scores among all of the 600 plus Touchstone Energy cooperatives. I commend our exceptional team of employees for this achievement.



As we celebrate our 85th anniversary, I would like to recognize and applaud the many people who have served our Cooperative in the past. Included are directors and a large number of retirees. Truly their dedication to our Cooperative and the members we serve resulted in our ability to be a blessing to the membership by fulfilling a commitment to make a positive difference in the communities where we serve. It has become a long-standing tradition.

As I conclude, I know that many of you will celebrate the resurrection of God's only Son, Jesus Christ, on Easter Sunday. I will join you in the celebration of our Risen Savior. Additionally, I want to reiterate as I have before that I am here to serve you and if I can be of assistance to you, please do not hesitate to contact me. My direct line phone number is 910.230.2990 and my e-mail address is CEO@sremc.com.

2024 Financials

Assets

Electric Plant at Original Cost	\$353,012,240
Less Depreciation	(89,988,473)
Net Plant	263,023,767
Cash	2,647,770
Investments	39,400,217
Accounts Receivable	12,219,953
Materials and Supplies	5,877,049
Prepayments, Accrued Assets & Deferred Debits	<u>351,802</u>
Total Assets	\$323,520,558

Liabilities

Long-Term Debt	\$146,945,165
Consumer Deposits	2,931,963
Accounts Payable	9,711,531
Deferred Credits	2,729,538
Other Liabilities	35,565,076
Membership Fees	42,930
Patronage Capital Other Equities	<u>125,594,355</u>
Total Liabilities	\$323,520,558

Operating Statement

Operating Revenue & Patronage Capital Expenses	\$112,292,622
Cost of Purchased Power	70,197,719
Distribution Expense Operations	2,064,518
Consumer Accounts Expenses	2,098,058
Customer Service and Information Expenses	2,835,819
Administration General Expenses	6,179,515
Maintenance Expenses	7,590,764
Depreciation Amortization	9,972,032
Taxes	1,386,676
Interest on Long-Term Debt	<u>6,155,880</u>
Total Cost of Electric Service	\$108,480,981

Margins

Operating Margins and Patronage Capital	\$3,811,641
Non-Operating Margins	85,728
Other Capital Credits and Patronage Dividends	<u>3,259,469</u>
Total Operating and Non-Operating Margins	\$7,156,838