

*2025 Annual Report*

**Balancing Demand,  
Cost & Commitment**



**Chris M. Spears, CEO & Wayne Collier Jr., president**

# CEO's & President's Update

On behalf of the South River EMC team, which includes our employees, the Board of Directors and senior management, we want to reaffirm our commitment to provide safe, reliable and competitively

priced electric service as stated in our Mission Statement. We understand that not only should our electric service be competitively priced, but it must be affordable.

Under the cooperative business model, South River EMC is structured as a not-for-profit organization, and this allows us to operate at a lower cost. Furthermore, this means that excess margins are allocated back to you, our member-owner, and typically returned over time in the form of capital credit retirements. In 2025, the Cooperative refunded more than \$3.3 million through capital credit retirements.

The electric utility industry continues to experience substantial changes, and we have moved into a very different environment, in a short period of time. A number of factors have contributed to higher costs and they include the following: the impact of governmental policies, regulations and mandates; the early retirement of always available power plants; rapidly increasing demand for more electricity; volatility in fuel costs; significant inflation leading to higher material and equipment costs; elevated interest rates; and more. This is making it much more difficult and challenging to balance demand and costs, and it is taking place all across America. In fact, according to the U.S. Energy Information Administration, U.S. residential electricity prices climbed 13% between 2022 to 2025 and another 5% is expect-

ed in 2026, after being adjusted for inflation.

South River EMC only adjusts rates to secure what is necessary to run the business of the Cooperative. In 2021, it was reported at the South River EMC Annual Meeting that we were getting close to where a rate adjustment would be necessary. It is essential that South River EMC remains in a financially sound position, otherwise, it will not be able to provide you with the level of service that you expect and deserve as members of the Cooperative.

In 2023, the Cooperative began using the Equalizer to make up for smaller shortfalls in revenue. The Equalizer can be easily adjusted, up or down (and it has), to help ensure that an over collection of revenue does not take place. If an over collection does take place, the result is higher allocations to the members, most of which would not normally be returned or refunded for approximately 19 years.

Because margins were above average between 2017 and 2019, South River EMC returned \$8.5 million in the form of member credits and a rebate. This was done in addition to the retirement of almost \$13 million in Capital Credits, while absorbing \$8.5 million in coal-ash expense. The Cooperative deferred as much revenue as it could during this time to help offset the need to change rates. In 2024, a rate adjustment was implemented. This was the first since 2013 and demonstrates that the Cooperative worked to avoid a rate increase as long as possible. This isn't the first time South River EMC was blessed with an extended period between rate adjustments as in 2006, after 9 years, the Cooperative raised rates by more than 22%.

In the last 10 to 12 years, South River EMC has taken steps to control costs. Examples include obtaining competitive bids on contracted work, using technology to improve upon efficiency, restructuring some of our operations, contract-

ing out some services while bringing others in-house, extending equipment life and more. Furthermore, debt was refinanced, level term to level term, with the National Rural Utilities Cooperative Finance Corporation, saving members an estimated \$20 million over the life of the loans.

Our power supplier, North Carolina Electric Membership Corporation (NCEMC) is faced with the same aforementioned factors that South River EMC is experiencing, all of which are contributing to higher electric costs. Because of increasing demand and early retirement of always-available generation, NCEMC is making investments in new generation. It should be noted that NCEMC owns approximately 40% of its generation and purchases the rest, most of it from Duke Energy. These factors, along with paying more for the power it purchases, are causing rate pressure on the wholesale power being purchased by South River EMC from NCEMC, for our members.

In 2025, the Cooperative experienced an increase in wholesale power costs of 8% and in 2026, it increased another 10.55%. Wholesale power expense amounts to approximately 62.5% of our total budget. The Cooperative is requiring more wholesale power from NCEMC, and it is interesting to note that in 2013 the system peak demand/load was 214 megawatts (mw) and in 2025 it was 293 mw.

South River EMC has continued to grow not only in load on the system, measured in mw, but also in the number of accounts served. In 2013, the Cooperative reported 43,000 members and in 2026, we have almost 50,000. Total utility plant in service amounted to \$208 million in 2013 and today it exceeds \$347 million. Construction projects are ongoing across our distribution and transmission system and in 2025 rose by 17%.

Those improvements have helped to enhance reliability and grid resilience. To illustrate the impact, in 2025, the average member experienced less than 57 minutes in power outages. This is significantly less than it was a decade ago as in 2015 it reached 109 minutes, excluding major storms. The number of employees during this same

period has only increased by 11 and yet the Cooperative has grown by about 7,000 accounts.

Your Cooperative continues to invest in workforce development so that we can provide excellent service. Over the last 6 or 7 years more than 30 employees have left employment with the Cooperative, in most cases they retired, and approximately 45 employees will be eligible for retirement over the next 10 years. A formal succession plan was developed a number of years ago to help ensure that the Cooperative has the appropriate staffing in place to meet and hopefully exceed your expectations. We depend on our employees every day and member satisfaction surveys always confirm that we have helpful and knowledgeable employees. We are proud of them and trust that you are as well.

Because we are owned by those that we serve, we constantly track member satisfaction. One of the benchmarks utilized to monitor member satisfaction is the American Customer Satisfaction Index (ACSI). In the 4th Quarter of 2025, our ACSI score was an 88. As a comparison, investor-owned utilities and municipal systems are averaging around a 75 ACSI score.

Change is constant in our industry and that has been especially true in the last 4 or 5 years. What does not change is our commitment to you to ensure safe, reliable and affordable electric service.

We will continue planning strategically, operating efficiently, advocating responsibly and investing locally, while keeping reliability and affordability at the forefront. Your trust matters to us, and we remain focused on protecting it daily.

Many of you will be celebrating Easter soon and we want to wish you a happy and blessed holiday as we rejoice in the risen Christ, Lord and Savior.

It is a privilege to serve you. If you would like to respond to this annual report, please send an email to [CEO@sremc.com](mailto:CEO@sremc.com) or [BoardofDirectors@sremc.com](mailto:BoardofDirectors@sremc.com).

# 2025 Financials

## Assets

Electric Plant at Original Cost	\$372,809,446
Less Depreciation	<u>(96,180,210)</u>
Net Plant	\$276,629,236
Cash	3,725,920
Investments	40,779,774
Accounts Receivable	13,563,449
Materials and Supplies	6,302,269
Prepayments, Accrued Assets & Deferred Debits	<u>514,278</u>
Total Assets	\$341,514,926

## Liabilities

Long-Term Debt	\$163,706,023
Consumer Deposits	3,211,365
Accounts Payable	10,735,412
Deferred Credits	3,005,017
Other Liabilities	28,273,999
Membership Fees	41,295
Patronage Capital Other Equities	<u>132,541,815</u>
Total Liabilities	\$341,514,926

## Operating Statement

Operating Revenue & Patronage Capital Expenses	\$127,449,503
Cost of Purchased Power	79,372,477
Distribution Expense Operations	2,498,032
Consumer Accounts Expenses	3,354,502
Customer Service and Information Expenses	3,172,266
Administration General Expenses	6,319,879
Maintenance Expenses	6,316,415
Depreciation Amortization	10,333,051
Taxes	1,590,879
Interest on Long-Term Debt	<u>7,282,892</u>
Total Cost of Electric Service	\$120,240,393

## Margins

Operating Margins and Patronage Capital	\$7,209,110
Non-Operating Margins	228,628
Other Capital Credits and Patronage Dividends	<u>2,602,959</u>
Total Operating and Non-Operating Margins	\$10,040,697