



A Brighter Future



**South River EMC
Annual Report**

CEO's Message

Chris M. Spears, Executive Vice President & CEO



South River EMC was blessed with another good year in 2021. We completed the National Rural Electric Cooperative Association Rural Electric Safety Achievement Program, which measures the Cooperative's safety performance every three years and includes an onsite assessment conducted by the North Carolina Association of Electric Cooperatives (NCAEC) Job Training & Safety (JT&S) department. South River EMC scored very well once again and improved upon the 2018 assessment.

Additionally, following a Culture of Safety Lab, conducted by NCAEC JT&S in conjunction with Federated Rural Electric Insurance Exchange last August, it was reported that South River EMC is one of six high-performing cooperatives in the state.

Financially, the Cooperative is doing well and returned close to \$3.5 million to the membership in the form of Capital Credit retirements in 2021. It should be noted that \$855,015 was also retired under Special Retirements, which would include retirements that take place when a member leaves the system.

We avoided a rate adjustment for the eighth year as well. At the Annual Meeting in October, I announced that we were facing a \$4.8 million increase in wholesale power costs in 2022, along with higher costs of materials, and stated that we could be faced with the need to adjust rates in 2022. In November, our power supplier, North Carolina EMC, amended the 2022 approved budget and lowered its original revenue requirement for 2022. Instead of a \$4.8 million increase in wholesale power, the increase for South River EMC was reduced to \$1.7 million. Consequently, we do not anticipate the need for a rate adjustment in 2022. Our last rate increase took place in November 2013.

Reliability remains strong at 99.99 percent for 2021. We use the System Average Interruption Duration Index (SAIDI) as one benchmark for reliability. SAIDI measures the average minutes that a member is without power. Excluding major storms such as hurricanes, South River EMC has achieved a 46.3 percent reduction in SAIDI for the previous seven years.

As a member-owned electric cooperative, I like to say it is all about the member, and that is why member satisfaction is extremely important to South River EMC. We use the American Customer Satisfaction Index (ACSI) as a benchmark for member satisfaction. At the end of 2021, South River EMC received an ACSI score of 87. As a comparison, the top measured investor-owned utility in the country received an ACSI score of 78. ACSI overall satisfaction for the municipal sector was 71 and the investor-owned utility sector also received an overall satisfaction ACSI score of 71. Our overall satisfaction rating on a scale of 1 to 10, with 10 being the highest, was 8.84 in the fourth quarter of 2021. It is evident from our strong member-satisfaction scores that our employees are providing excellent service. I appreciate them and trust that you do as well.

I hope that you will join us for our second virtual Annual Meeting on April 21. In addition to the election of Directors, reports will be provided by our Board President, Dr. Sue Godwin-Baker, and our Board Treasurer, George Williams. I will also provide an update on your local electric cooperative. As always, I am grateful for the opportunity to serve as your CEO. I am here for you and if I can assist you in some way, please do not hesitate to call me at 910.230.2990 or send me an email at CEO@sremc.com.

Defining a Brighter Future for Members & Community

South River EMC is defining a future for our members and the community we all share—a brighter future that continues our commitment to delivering reliable electricity at the lowest possible cost while also advancing the pursuit of responsible sustainability goals.

While our members' interests form the bedrock of our planning, I do believe the benefits of our initiatives in the next decade and beyond will extend to the entire community, and it starts with our business model.

The member-owned electric cooperative business model works. As a not-for-profit business located in and governed by the community we serve, we put people and our community first.

The brighter future we are defining must strike a balance in providing electricity that is not only sustainable, but also reliable and affordable. I am proud that South River EMC, along with the network of North Carolina's electric cooperatives, have set a goal of achieving net-zero carbon emissions by 2050 with an interim step of reducing emissions by 50 percent from 2005 levels by 2030. In conjunction with our power supplier, we have spent the past decade reducing our dependence on carbon-intensive power generation, and as a result, our current fuel mix is more than 50 percent carbon free.

As of January 2022, North Carolina's electric cooperatives have approximately 500 MW of renewable, distributed energy and edge-of-grid resources integrated or pending integration into their energy portfolio.

We commit to these goals voluntarily and know that in order to achieve them while upholding our promise of delivering reliable electricity at the lowest possible cost, we must: continue to leverage our existing investments in carbon-free power sources like nuclear energy; work with our members through energy services to manage when and how electricity travels across the grid; incorporate new sources of

energy, including solar; utilize low-cost natural gas to expand renewable energy growth; and support the advancement of new technologies that effectively capture carbon emissions.

As a local business, South River EMC is not only powering, but also empowering our communities. We are dedicated to providing the best electric service while helping our communities thrive and prosper.

South River EMC is engaged in many community enhancing projects such as:

- Zero-interest loans to help attract new industry and jobs as well as infrastructure.
- Operation Round Up grants, to provide a boost to community agencies and schools. South River EMC has funded over \$2.7 million grants since 2007.
- Bright Ideas Grants for local public-school educators. Since 1994, South River EMC has funded over \$1.2 million in classroom materials and projects.
- Butler Farms Microgrid: This innovative project joins agriculture and energy to look at a model of energy delivery for the future. This project has won several awards for innovation and has been exalted as a "fantastic example of how to grow an initiative to benefit the larger community."
- Cutting-edge utility-scale energy storage technology at Collier Substation in Fayetteville.
- Solar + battery pilot program at Halls Substation in Sampson County couples a 50 kw solar array with a 500 kwh battery pack. The battery will be dispatched during times of peak energy demand to offset costs.

South River EMC will continue to support our local community and develop new ways to deliver reliable, affordable, sustainable power. Our success hinges on preserving the cooperative business model because it always puts members first. Most importantly, we will never lose sight of the fact that the brightest parts of our future are our members.

Finances

Assets

Electric Plant at Original Cost	\$291,179,514
Less Depreciation	(75,163,575)
Net Plant	216,015,939
Cash	4,282,699
Investments	33,839,412
Accounts Receivable	11,835,295
Materials and Supplies	3,495,059
Prepayments, Accrued Assets & Deferred Debits	<u>120,484</u>
Total Assets	\$269,588,888

Liabilities

Long-Term Debt	\$103,213,359
Consumer Deposits	2,695,610
Accounts Payable	8,568,026
Deferred Credits	7,134,683
Other Liabilities	33,947,463
Membership Fees	48,435
Patronage Capital Other Equities	<u>113,981,312</u>
Total Liabilities	\$269,588,888

Operating Statement

Operating Revenue & Patronage Capital Expenses	\$100,831,334
Cost of Purchased Power	63,453,151
Distribution Expense Operations	1,830,166
Consumer Accounts Expenses	2,186,674
Customer Service and Information Expenses	2,652,279
Administration General Expenses	5,371,388
Maintenance Expenses	5,569,469
Depreciation Amortization	8,901,275
Taxes	1,498,431
Interest on Long-Term Debt	<u>3,741,213</u>
Total Cost of Electric Service	\$95,204,046

Margins

Operating Margins and Patronage Capital	\$5,627,287
Non-Operating Margins	345,920
Other Capital Credits and Patronage Dividends	<u>2,679,623</u>
Total Operating and Non-Operating Margins	\$8,652,830

*Unaudited