

South River Electric Membership Corporation
2023 Annual Report

Navigating Through Challenging Times





CEO's Message

Chris M. Spears



As I reflect on 2022, it was another good year for your electric cooperative and we were blessed in so many ways. None-

theless, 2022 certainly included some challenges, although I prefer to think of them as opportunities. Supply chain issues continued to cause delays in obtaining some of the material and items that we depend on every day. Across the country, cooperatives faced more competition than ever for our employees. Inflation is another serious concern that is affecting all of you, and your Cooperative is no exception. Material and equipment costs have increased significantly, along with contractor costs and the cost of borrowing money. Wholesale power costs have gone up as well, but are relatively stable.

Member satisfaction for South River EMC continues to remain strong. We use the American Customer Satisfaction Index (ACSI) to benchmark our performance in this area. Our ACSI scores in 2022 were running between 88 and 89 and are outperforming the top rated investor-owned utilities in the country by a wide margin. I give credit to our outstanding team of employees for our performance.

In 2022, South River EMC had an exceptional year for reliability as well. We utilize the System Average Interruption Duration Index (SAIDI) to measure reliability. SAIDI measures the number of minutes that the average member is without power in a one-year period. If we exclude major storms such as hurricanes, we have achieved a 24.58 percent reduction in SAIDI for the previous three years. In 2022, SAIDI was 46 minutes compared to more than 100 minutes eight years ago.

Substation security became a national concern

in 2022 as we witnessed physical attacks in Florida, Oregon, Washington, North Carolina and South Carolina. Your Cooperative is committed to resiliency and is constantly improving the distribution and transmission systems so that recovery does not take as long, whether or not the cause of an outage is related to an equipment failure, a supplier issue, a storm or a physical attack. Thankfully, we have the ability to back feed power in most instances.

Back feeding allows the Cooperative to feed or power one substation from another on a temporary basis. Furthermore, to assist specifically with substation transformer failures, we have replacement options in place. The Cooperative monitors substation equipment remotely and has had surveillance systems operational at all of our substations since 2017. I can assure you that we have evaluated our abilities and risks, and are implementing reasonable and affordable solutions, to further protect critical distribution and transmission infrastructure on our system.

In the December 2022 edition of Carolina Country, I shared with you in a CEO column that after nine years without a rate increase, the Cooperative was making plans to implement what we are calling the Equalizer in 2023. I explained that mostly due to inflation, projections for 2023 showed a slight shortfall in the revenue required to provide the level of service that you expect and deserve.

Under the Equalizer approach, the kwh (energy) charge and the monthly Grid Access Charge will remain the same. However, when there is a need to collect more revenue, the Equalizer will allow the Cooperative to add a small charge to bills, to make up the difference. I would add that this approach has been used in the past and is supported by our rate consultant.

Your Cooperative was blessed once again with more than sufficient margins in 2022. However, without going into detail, some of our expenses



in November and December exceeded projections and directly affected 2023 finances in a negative way. Winter Storm Elliott had the biggest impact on the Cooperative as the demand for electricity Christmas weekend was extreme and the cost of extra power was terribly expensive. Consequently, the shortfall in 2023 ended up being more than anticipated.

The theme of our annual report is Navigating Through Challenging Times and an additional shortfall, on top of the original budgeted shortfall, was certainly another added challenge. Nonetheless, the vice presidents and I worked together to adjust expenses included in the 2023 budget, in an effort to lessen the impact on the amount of Equalizer assessments in 2023.

The Equalizer, as outlined in my December CEO column, will begin in April and the assessment is projected to be \$3.75 per 1,000 kwh purchased. The average residential member consumes approximately 1,260 kwh per month.

Therefore, an Equalizer assessment of \$3.75 per 1,000 kwh amounts to around \$4.75 more per month for the average residential member.

I hope that you will take time to join us for our third virtual Annual Meeting on April 27. 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. Furthermore, you will have an opportunity to win various prizes, including a Grand Prize of a \$3,000 bill credit.

I consider it a privilege to serve as your CEO. Please know that I am here to serve you. If I can assist you in some way, please do not hesitate to contact me at CEO@sremc.com or you can call my direct line at 910.230.2990.

Soon many of you will celebrate Easter. I join you in celebrating the resurrection of our Lord and Savior Jesus Christ. Happy Easter!

Major Projects

- Subdivision lighting upgrades
- Retired 2,100 idle (unused) services
- Designed and began construction on new Rebekah Evans and Benson points of delivery
- Upgraded 6.6 miles of distribution line
- Completed design for Fisher Substation upgrade
- Constructed 3 miles of transmission line between Wade and Jackson substations.
- Replaced 1,897 utility poles
- In 2022 saved \$261,000 from conservation voltage reduction efforts, a total of \$1.5 million since program inception.

Technology Updates

- Implementation of mobile app for Android and IOS Devices
- New technologies implemented to detect and respond to any potential threats using a combination of AI, behavioral analytics, and machine learning
- Upgrade of our SCADA environment to increase reliability, security, performance, and scalability
- Improvements have been made to disaster recovery site for optimal preparedness. Redundant systems and backups added to help ensure critical data and applications are operational, even in the event of an outage or disaster.

Financials



Assets

Electric Plant at Original Cost	\$307,136,134
Less Depreciation	<u>(78,553,430)</u>
Net Plant	228,582,704
Cash	1,511,575
Investments	34,757,131
Accounts Receivable	12,784,080
Materials and Supplies	4,118,594
Prepayments, Accrued Assets & Deferred Debits	<u>726,020</u>
Total Assets	\$282,480,104

Liabilities

Long Term Debt	\$112,593,204
Consumer Deposits	2,752,286
Accounts Payable	8,513,983
Deferred Credits	6,008,277
Other Liabilities	34,704,384
Membership Fees	46,285
Patronage Capital Other Equities	<u>117,861,685</u>
Total Liabilities	\$282,480,104

Operating Statement

Operating Revenue & Patronage Capital Expenses	\$105,913,001
Cost of Purchased Power	66,939,500
Distribution Expense Operations	2,133,360
Consumer Accounts Expenses	2,851,241
Customer Service and Information Expenses	2,791,129
Administration General Expenses	5,889,831
Maintenance Expenses	6,507,801
Depreciation Amortization	9,227,416
Taxes	1,546,925
Interest on Long-Term Debt	<u>4,020,034</u>
Total Cost of Electric Service	\$ 101,907,237

Margins

Operating Margins and Patronage Capital	\$4,005,764
Non-Operating Margins	739,901
Other Capital Credits and Patronage Dividends	<u>3,803,589</u>
Total Operating and Non-Operating Margins	\$8,549,254

*Unaudited