

ANNUAL REPORT | 2018



Central Electric
Membership Corporation

A Touchstone Energy® Cooperative 



Board President Rebecca G. Cogan and new CEO Eddie Oldham explore innovative ways the cooperative can remain members' trusted energy partner.

Caring **Proactive** Well-Positioned **Reliable**

At Central Electric, we are focused on providing reliable, affordable power well into the future, as well as ensuring the members and communities we serve have the resources they need for a better tomorrow. Our aim is to continue improving the quality of life in central North Carolina.

This commitment goes deeper than simply providing electricity to your home. It also includes helping retain and attract jobs to the area. A modern and updated power delivery system supports economic development efforts and helps energize your home and business for years to come.

A resilient, reliable system is also better prepared to handle high winds, powerful storms, cybersecurity threats and other disruptions. That requires proactive

maintenance and investment in areas like our recent transmission line replacement and updated right-of-way clearing program.

These types of investments help our system withstand major storms, like Hurricane Florence and Tropical Storm Michael, and speed up power restoration efforts in their aftermath.

As a not-for-profit electric cooperative, our member-owners are our first priority. They are the people we serve: **YOU**. Even while investing in projects to maintain a modern and reliable grid, we work hard to keep costs down. We understand how important that is to our members.

Last year, the largest share of each revenue dollar — 64 cents — went toward purchasing

wholesale power. Since a portion of the electricity we provide comes from wholesale power agreements with Duke Energy, we acted quickly in 2017 to effectively minimize the costs that compliance with the North Carolina Coal Ash Management Act had on your 2018 bills. We're also pleased to report that electricity prices have only risen 1.8 percent on average annually since 2012.

Another way your cooperative puts you first is by returning revenue left after paying expenses to you as capital credits. Last year, Central Electric distributed \$1.2 million to members who received service in 1998 or 1999. Over the last decade, members have received more than \$11 million. This puts money back into our local economy, too.

Giving back to our communities also helps build a strong future, whether it's contributing to local nonprofits through our members'

generous Operation Round Up® donations, supporting education, or helping local organizations secure funding for projects through economic development grants.

We also know our members want affordable energy options. As your trusted energy partner, we are here to help you understand how to use energy wisely, purchase an electric vehicle, install solar panels on your property or obtain a loan for energy-efficient upgrades to your home.

Central has powered homes, farms and businesses throughout our communities for almost 80 years. We strive to continually listen to your feedback and adapt to your changing needs. This report conveys how your cooperative provides, reliable, affordable electricity to the nearly 23,000 members we serve today and also for the members of tomorrow.

Resilient Listening Energizing Your Trusted Energy Advisor



More than **50%** of members who are using online services do so from mobile devices.



Central's FlexPay participants are **10%** more energy efficient, due to daily awareness of their energy use.



Bright Ideas educational grants to schools benefitted **3,300** students in our area last year.



18,000+ members voluntarily round up their bills to the next dollar, helping support local nonprofits through Central's Operation Round Up® program.



Solar panels beside the Central Electric office are producing renewable energy for members through a community solar project. Pictured: Retired CEO Morris McClellion explains the process to local teacher Daria Frederick. As a Kenan Fellow for Teacher Leadership, she will share information about how the panels can power as many as 12 to 15 homes.

Energizing an innovative tomorrow

As your trusted energy partner, Central Electric is advising members, like you, on renewable resources, such as solar energy and electric vehicles. We're also providing the latest tools to help monitor energy use and keep more money in your pocket.

For example, animated, personalized emails delivered to members' inboxes offer ways to control costs and explain factors affecting the home's energy bills.

Members can also access and manage their account 24/7 online, either through a mobile website or free mobile app. An outage texting service allows members to report outages and receive restoration updates on their mobile phones.

Enhancing life in our communities

Members who voluntarily have their bills rounded up to the next dollar through Central's Operation Round Up® program helped nurture a more caring community last year by contributing over \$108,000 to local nonprofits. The Boys & Girls Club of Central Carolina, Moore County Special Olympics and Lee County Helping Hands Clinic are just a few of the more than 40 organizations supported.

Central also helped the Carthage Fire & Rescue Department purchase a new fire engine in 2018. Through Rural Economic Development Loans & Grants (REDLG), Central secured the zero-interest federal loan as part of a U.S. Department of Agriculture program that finances rural community projects through local utilities.

We are also committed to investing in the leaders of tomorrow. Our Bright Ideas educational grants program powered innovative learning projects in area schools with \$15,000 last year. Three middle school students learned basketball skills at NC State and UNC-Chapel Hill, through the Touchstone Energy Sports Camps program, and community college scholarships were provided to five of our members. The "Give Us An A" program also rewarded 20 local students for excellence in the classroom with Visa® gift cards.

At Cooperative Leadership Camp, high school students Hannah Milford, Neida Figon and Abigail Milford focused on leadership development. Olivia Rojas and Gabriel Hinsley represented Central on the 2018 Electric Cooperative Youth Tour. They joined 1,800 students in Washington, D.C., where they met elected officials and learned about electric cooperatives and our nation's history.

You're Invited!

As a Central Electric member, you own the cooperative. Come participate in the business of YOUR cooperative during the Annual Member Meeting, starting at

7:00 p.m. on Oct. 4, 2019, at the Dennis A. Wicker Civic Center in Sanford. Enjoy music, fellowship and enter to win prizes!

Last summer, Central also hosted local teacher Daria Frederick as part of the Kenan Fellows Program for Teacher Leadership. Over the course of the summer, she learned about the electric cooperative industry. Since then, she has shared what she learned with students in her classroom.

Ensuring future reliability

Providing members with reliable, affordable electricity requires proactive maintenance to the more than 2,500 miles of power lines and equipment and investments that keep it operating continuously. Members need power they can depend on for decades to come.

Recent projects, like replacing a 5-mile stretch of aging transmission line, ensure that power will be there when needed. Steel reinforced line

with a higher capacity to deliver electricity will support the southern part of our system for the next several decades.

An effective right-of-way clearing program also helps keep power flowing uninterrupted. Trees, shrubs or bushes growing too close to power lines are being trimmed on an updated eight-year clearing cycle. Crews have been especially focused on the Pittsboro area, where tree density remains a challenge. Crews will address the entire system, then repeat.

Whether it's undertaking projects to further improve reliability and satisfaction for our members or providing opportunities for investment into our communities, members can continue looking to Central. Your trusted energy partner is connecting you to a brighter future.



Central's dedicated crews make sure electricity is there when you need it by upgrading a major transmission line.

On the Balance Sheet, you will note that total assets increased by almost \$700,000 during 2018, raising the value of assets to more than \$117 million. Central Electric's membership fees, patronage capital and other equities total \$49,141,320. This member-furnished capital represents 41.98 percent of Central Electric's assets. These funds are invested in Central Electric's utility plant (lines, transformers, poles, trucks, etc.).

The Statement of Operations shows operating revenue increased 10.96 percent from 2017. The total cost of supplying electric service increased 12.76 percent from 2017. Wholesale power remained our largest expense, representing nearly two-thirds of all expenses.

As a cooperative, our operating margins (difference between revenue and cost of service) are posted to each member's patronage capital account. In 2018, operating margins were 1.88 percent compared with 3.4 percent in 2017.

The average number of consumers served increased from Jan. 1, 2018 to Dec. 31, 2018 by 0.7 percent as compared with 0.9 percent in 2017. The 2018 monthly average residential kilowatt hours (kWh) sold was 1,388 kWh.

Cost of Wholesale Power:



How Your Dollar Was Spent in 2018:

64%

Cost of Purchased Power

23%

Operations Expense

7%

Depreciation

4%

Interest Expense

2%

Total Operating Margins

Key Statistics

At Year Ending:	2018	2017	2016	2015	2014
Miles of Line Energized	2,531	2,517	2,503	2,489	2,475
Number of Consumers Served	22,840	22,681	22,443	22,205	22,051
Average Residential kWh Used per Month	1,388	1,268	1,310	1,352	1,385

Financial Reports

To assist your review of our financial condition we have published a simplified Balance Sheet and Statement of Operations in this report for the 2018 and 2017 calendar years. The accounting firm of Adams, Jenkins, and Cheatham completed its audit of the cooperative in April 2019. Copies of the report will be available at the Annual Member Meeting, as well as the Central Electric business office. The report shows your cooperative is financially sound.

Balance Sheet as of Dec. 31

	2018	2017
Assets:		
Electric Plant at Original Cost	\$123,325,735	\$114,780,963
Construction Work in Progress	946,275	7,297,523
Less Depreciation	(39,194,784)	(36,449,930)
Investments/Association Organizations	15,391,295	14,133,897
Cash	1,456,522	903,852
Temporary Investments	280,198	330,183
Notes Receivable	195,662	158,596
Accounts Receivable	9,806,202	10,060,606
Material and Supplies	839,385	1,164,122
Prepayments and Accrued Assets	90,877	104,130
Regulatory Assets	2,824,356	2,570,429
Deferred Debits	1,084,095	1,292,614
Total	\$117,045,818	\$116,346,985
Liabilities:		
Long-Term Debt: CFC	\$46,230,608	\$ 41,856,039
Consumer Deposits	1,569,732	1,602,754
Notes Payable	0	7,235,374
Accounts Payable	3,560,273	3,749,621
Accumulated Operating Provisions	7,406,595	6,835,255
Current Maturities Long-Term Debt	2,827,563	2,534,524
Other Liabilities	6,309,727	5,218,976
Membership Fees	100,050	99,165
Patronage Capital & Other Equities	49,041,270	47,215,277
Total	\$117,045,818	\$116,346,985

Statement of Operations as of Dec. 31

	2018	2017
Operating Revenue:	\$ 55,532,501	\$ 50,045,952
Expenses:		
Cost of Purchased Power	\$ 35,486,166	\$ 31,155,853
Transmission Expense	4,083	3,977
Distribution Expense-Operations	3,156,382	3,162,124
Distribution Expense-Maintenance	3,697,855	2,291,824
Consumer Accounts Expense	1,531,873	1,676,719
Consumer Service & Information Expense	486,936	426,553
Sales Expense	183,968	146,044
Administration & General Expense	4,257,217	4,032,047
Depreciation & Amortization	3,631,208	3,442,541
Taxes	0	324
Interest on Long-Term Debt	2,052,101	1,983,785
Total Cost of Electric Service:	\$ 54,487,789	\$ 48,321,791
Our Margins:		
Operating Margins	\$ 1,044,712	\$ 1,724,160
Non-Operating Margins	2,317,261	2,318,119
Total Margins:	\$ 3,361,973	\$ 4,042,279

Capital Credits

As a member and an owner of Central Electric, you receive a unique benefit that you can "take to the bank." Since we are a not-for-profit electric utility, a percentage of revenue left after paying expenses is returned to members in the form of capital credits. That means members get a share of what's left over after expenses are paid and some funds are set aside for emergencies and the future. In 2018, Central returned \$1.2 million in capital credits to members, bringing the total returned to more than \$14 million.



Board of Directors



Rebecca G. Cogan
President



Tommy Dalrymple
Vice President



James B. Brooks
Secretary-Treasurer



W. Phillip Thompson
Assistant Secretary



L. Frank Comer, III



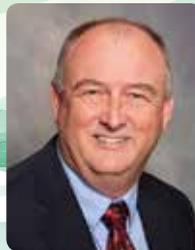
Edith C. Cox



Dr. Nancy Holmes



Henry Outz



Henry Randolph



Timothy Priest



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