



YOU FIRST. ALWAYS.



Central Electric
Membership Corporation

A Touchstone Energy® Cooperative 



2019 annual report



EXECUTIVE MESSAGE

Board President Rebecca G. Cogan and CEO Eddie Oldham lead the cooperative in powering a brighter future and putting the member-owners we serve, first.

Nearly eight decades ago, the hard-working rural people of this area labored to bring electricity to their homes, farms, schools and businesses when other utilities refused to. As Central Electric's first members, they formed a unique family – a not-for-profit electric cooperative *they* owned. One that prioritized *their* needs and interests. One that truly cared about improving lives and strengthening communities.



Today, Central Electric is *your* cooperative. Though we've grown to more than 23,000 member-owners, you can always count on us to put you first.

Powering you with safe, reliable and affordable electricity remains our core mission. Doing so at the highest level of service requires modernizing and maintaining our power delivery system. Replacing outdated equipment, regularly clearing right-of-way, updating cybersecurity measures and implementing innovative technology ensures you'll receive reliable power for years to come.

We know that affordability is important to you, as well. Prudent financial planning on our part ensures you're getting value for your money. As your trusted energy partner, Central Electric offers ways for you to save

energy and money to help you keep your power bills as low as possible.

Last year, the cost of wholesale power held steady. At 64 cents of every dollar spent, it remained our largest expense. By making cost-conscious decisions, we kept operating costs low without sacrificing the excellent 24/7 service you've come to expect.

Safety and training are key components of the reliable, affordable electricity you receive. That's why we invested in a simulated electric grid training facility that provides our line workers with hands-on training. This keeps their skills sharp and helps them work safely around dangerous equipment.

In our growing region of the state, Central's economic development efforts continue to help attract new businesses to our area. This creates jobs, puts more money into the local economy and energizes our communities.

Giving back also empowers our communities for a bright future. Thank you for partnering with us to lift up neighbors in need through programs like Operation Round Up®. By supporting education, Central helps prepare those who will lead our communities tomorrow.

Even during uncertain times, we demonstrate our commitment to put you first. Keeping members and communities connected has proved essential with COVID-19's arrival. We have eased the pandemic's effects on members' by waiving late payment fees, postponing disconnections and providing payment arrangements free of charge. We have also supported local helping agencies with

funding and provided resources such as a free Wi-Fi hotspot at our office during school closures to help students access school materials.

The same cooperative spirit that was born decades ago still runs deep. This report highlights additional ways your cooperative focuses on improving life for you and for those in our communities. You can count on us to put YOU first. Always.



ATTEND THIS YEAR'S ANNUAL MEETING!

As a Central Electric member-owner, you're encouraged to participate in the business of YOUR cooperative during the livestream of our Annual Member Meeting at 10 a.m. on Oct. 2, 2020. Join us at [Facebook.com/CEMCPower](https://www.facebook.com/CEMCPower).



Youth Tourists Aubrey Withrow and Alexis Hewitt walked the halls of the Capitol last June.



Right-of-way maintenance crews trim vegetation away from power lines on an updated eight-year cycle. This helps keep members connected.



Members use Central's outage texting service to text their outages, view our Outage Map and receive restoration updates.

Improving lives and strengthening communities

Serving members and the local community has been at the heart of Central Electric's mission since local people formed the cooperative nearly 80 years ago. Our goal is to improve the lives of those we serve and energize the area in ways that go far beyond providing electricity.

We returned \$1.2 million in capital credits to members last year. Member-owners, including farms and businesses, received their share of this tangible membership benefit. The cooperative put money back in members' pockets and helped boost the local economy.

Through our Operation Round Up® program, members supported one another, empowering the community through sharing. Participants voluntarily rounded up their monthly bills to the next dollar. These donations benefitted 40-plus local nonprofits, groups and charities with more than \$100,000 in support.

Central awarded \$15,000 in Bright Ideas educational grants to K-12 educators. Local teachers were able to bring innovative projects to life in their classrooms, impacting hundreds of young learners.

Investing in tomorrow's leaders through scholarships, Central gave a financial boost to five students now attending Central Carolina Community College and Sandhills Community College. Our Touchstone Energy Sports Camp scholarships sent three excited middle schoolers to elevate their basketball and leadership skills at two of the state's largest college campuses. The cooperative's "Give Us An A" program recognized students' efforts in the classroom, as well.

Central also powered opportunities for high school students. Axel Comas attended Cooperative Leadership Camp at White Lake, N.C. Aubrey Withrow and Alexis Hewitt took the trip of a lifetime to Washington, D.C., as Central's representatives on the Electric Cooperative Youth Tour. Along with 1,800 youth, they learned about U.S. government firsthand, engaged with elected representatives on Capitol Hill and visited historic landmarks. Both experiences taught students about the cooperative business model and equipped them with leadership skills for a brighter future.

Connecting you to convenience and savings

Members were able to stay connected on the go last year through fast, secure ways, including a new 24/7 online chat feature.

Vass-Lakeview Elementary educator Georgia Proctor (center) used a Bright Ideas educational grant to enhance her students' reading skills.



Central's Tesla Model 3 helps the cooperative better understand electric vehicle (EV) technology and maintenance. This equips staff to answer questions about EVs based on experience.

Our mobile website and free mobile app helped members easily pay bills and manage their accounts. Outage texting also provided a quick way to report outages and receive restoration updates.

Many regularly accessed our free tools for managing energy use and reducing costs. Central's energy experts also helped, with information on lowering bills, renewable resources and more.

We added a Tesla to our vehicle fleet and installed two electric vehicle (EV) charging stations last year. Hands-on use of emerging technology provided a real-world experience for members considering an EV purchase of their own.

Powering you into the future

Central provided homes and businesses with safe, reliable and affordable electricity 99.96 percent of the time last year. To maintain service, crews trimmed trees and

other vegetation away from 1,600 miles of power lines. This significantly reduced the risk of outages caused by falling trees and branches.

We also reduced outage restoration times and increased efficiency with a zero-cost system improvement in 2019. Central's merge of existing technologies with new advanced meters enabled our system to pinpoint power outage locations within minutes. Our response team received outage notifications prior to reports from members, resulting in faster restoration of your power. For their efforts, Central staffers received an Expanding Excellence Award for Best Analytics Project.

From providing energy-saving resources and strengthening our communities to developing innovative ways to power members for years to come, Central continues to put members first. **YOU are – and always will be – first. Always.**

FINANCIAL REPORTS

On the Balance Sheet, you will note that total assets increased by almost \$2.25 million during 2019, raising the value of assets to more than \$119 million. Central Electric's membership fees, patronage capital and other equities total \$53,612,444.

This member-furnished capital represents 44.95 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 0.11 percent from 2018. The total cost of supplying electric service increased 0.62 percent from 2018. Wholesale power, our largest expense item, represented 64.33 percent of all expenses.

As a Cooperative, our operating margins (difference between revenue and cost of service) are posted to each member's Capital Credits account. In 2019, operating margins were 1.38 percent compared to 1.88 in 2018.

The average number of consumers served increased from Jan. 1, 2019 to Dec. 31, 2019, by 1.12 percent as compared with 0.69 percent in 2018. The 2019 monthly average residential kilowatt hours (kWh) sold per account was 1,315 kWh.

Cost of Wholesale Power:



How Your Dollar Was Spent in 2019:

64%

Cost of Purchased Power

24%

Operations Expense

7%

Depreciation

4%

Interest Expense

1%

Total Operating Margins

Key Statistics

At Year Ending:	2019	2018	2017	2016	2015
Miles of Line Energized	2,546	2,531	2,517	2,503	2,489
Number of Consumers Served	23,098	22,840	22,681	22,443	22,205
Average Residential kWh Used per Month	1,315	1,388	1,268	1,310	1,352

To assist your review of our financial condition, we have published a simplified Balance Sheet and Statement of Operations in this report for the 2019 and 2018 calendar years. The accounting firm of Adams, Jenkins, and Cheatham completed its audit of the Cooperative in April 2020. Copies of the report will be available online at CEMCPower.com and at the Central Electric business office. The report shows your Cooperative is financially sound.

Balance Sheet as of Dec. 31

	2019	2018
Assets:		
Electric Plant at Original Cost	\$126,920,000	\$ 123,325,735
Construction Work in Progress	255,456	946,275
Less Depreciation	(41,465,101)	(39,194,784)
Investments/Association Organizations	16,345,349	15,391,295
Cash	2,570,172	1,456,522
Temporary Investments	255,214	280,198
Notes Receivable	228,037	195,662
Accounts Receivable	9,422,457	9,806,202
Material and Supplies	846,117	839,385
Prepayments and Accrued Assets	114,820	90,877
Regulatory Assets	2,602,208	2,824,356
Deferred Debits	1,179,419	1,084,095
Total	\$119,274,148	\$117,045,818
Liabilities:		
Long-Term Debt: CFC	\$ 43,427,272	\$ 46,230,608
Consumer Deposits	1,592,780	1,569,732
Notes Payable	1,840,073	0
Accounts Payable	4,070,219	3,560,273
Accumulated Operating Provisions	5,368,366	7,406,595
Current Maturities Long-Term Debt	2,791,985	2,827,563
Other Liabilities	6,571,008	6,309,727
Membership Fees	101,150	100,050
Patronage Capital & Other Equities	53,511,295	49,041,270
Total	\$119,274,148	\$117,045,818

Statement of Operations as of Dec. 31

	2019	2018
Operating Revenue:	\$ 55,592,294	\$ 55,532,501
Expenses:		
Cost of Purchased Power	\$ 35,269,329	\$ 35,486,166
Transmission Expense	83,157	4,083
Distribution Expense-Operations	3,364,521	3,156,382
Distribution Expense-Maintenance	3,019,308	3,697,855
Consumer Accounts Expense	1,510,480	1,531,873
Consumer Service & Information Expense	595,811	486,936
Sales Expense	187,808	183,968
Administration & General Expense	4,748,789	4,257,217
Depreciation & Amortization Expense	4,082,313	3,631,208
Taxes	0	0
Interest on Long-Term Debt	1,964,683	2,052,101
Total Cost of Electric Service:	\$ 54,826,199	\$54,487,789
Our Margins:		
Operating Margins	\$ 766,095	\$ 1,044,712
Non-Operating Margins	2,374,761	2,317,260
Total Margins:	\$ 3,140,856	\$ 3,361,972

MONEY BACK

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 2019, Central returned \$1.2 million in Capital Credits to members, bringing the total returned to more than \$12.2 million in the last 11 years.

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



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Timothy Priest



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