

2020 ANNUAL REPORT

POWERING THROUGH THE STORM



Central Electric
Membership Corporation

A Touchstone Energy® Cooperative





EXECUTIVE MESSAGE

Board President Rebecca G. Cogan and CEO Eddie Oldham lead the cooperative in providing reliable, safe, affordable electricity to members through both calm and challenging times.

As Central Electric and co-op members faced an unprecedented health crisis during the COVID-19 pandemic, our commitment to you and to the communities we serve stood firm. We remained your trusted energy partner – and a stable force through the most turbulent of times.

Many of Central's in-office staff transitioned to remote work, while our crews remained in the field to keep power flowing. All were committed to the goal of providing you with safe, reliable and affordable electricity around the clock with the highest possible level of service.

Anticipating the pandemic's financial impact on members, your cooperative

acted quickly to postpone disconnects for nonpayment, waive late payment fees and provide payment extensions.

We kept you connected with digital options already in place. Our online account portal and chat feature, mobile app and outage texting service all provided 24/7 access and updates. Central used innovative ways to keep you up to date, including our first virtual annual meeting. We also offered a mobile hot spot at our office, so students could participate in classwork online and working people could continue doing business.

As always, your cooperative worked to keep your electricity bills affordable. We held down operating expenses through

efficient, innovative and cost-effective operations. Members benefitted from tools and information to help them use energy more efficiently.

However, there were some costs over which we had no control, including the rising costs of operating, maintaining and repairing our power delivery system. While an overall 2% rate increase was necessary in February to meet those expenses, the cost of wholesale power – still our largest expense at 59 cents of every dollar spent – came in lower than budgeted last year.

As a result of that decrease and favorable fuel costs, Central passed along a wholesale power cost adjustment (WPCA) bill credit in December that put money back into your pocket. Member-owners also received more than \$1 million in capital credits, reflecting their ownership in this cooperative.

Many of you joined us in helping meet the needs of local communities through Operation Round Up®. Member donations of nearly \$100,000 supported local nonprofit organizations and stocked food bank shelves.

Looking out for each other, lending a hand to neighbors and persevering together kept us strong through 2020, just as it has for 80 years. That's the cooperative way.

Whatever we face, your cooperative is prepared to power you through all of the unforeseen storms we may face.

in 2020...

45%

of members used online services to manage their account and control energy costs

19,555

members helped co-op neighbors by donating through Operation Round Up®

1,646

members bought electricity "as needed" through FlexPay

SEE YOU AT THIS YEAR'S VIRTUAL ANNUAL MEETING!

As a Central Electric member-owner, you're encouraged to participate in the business of YOUR cooperative. Join the livestream of our Annual Member Meeting at 10 a.m., Oct. 1, 2021, on Facebook.com/CEMCPower.

Powering you and local communities

Even a worldwide pandemic did not keep your cooperative from the goal of providing excellent service, while keeping you first.

In addition to helping members and supporting local nonprofit groups, Central Electric awarded \$15,000 in Bright Ideas educational grants to 13 local teachers. Their classroom projects impacted 3,100 students.

Central also rewarded 25 young learners with Visa® gift cards last year through the "Give Us an A" program. Five high schoolers, headed for Central Carolina Community College or Sandhills Community College, received a \$2,000 scholarship each to offset higher education costs. Another \$2,000 scholarship, awarded at last year's Annual Meeting, went to a student now attending UNC Charlotte.

During the pandemic, youth programs, including Electric Cooperative Youth Tour



Five and Two Food Pantry in Harnett County was one of many food banks and local nonprofits Central Electric and members helped last year.

and Cooperative Leadership Camp, were cancelled. As conditions allow, Central looks forward to once again equipping students with leadership skills and helping them expand their knowledge through these fun adventures.

Powering convenience and savings

As everyone adjusted to "the new normal," Central helped members stay in touch with their cooperative.

The website, along with regular e-communications throughout the year, directed members to free tools for managing energy use and reducing costs. Monthly e-newsletters and e-blasts shared easy tips that members used to hold down their energy costs during a hot summer and a colder-than-normal winter.

Energy advisors were also available by phone, with information on lowering bills and more. From information on rooftop solar or the purchase of electric vehicles (EVs), these trusted energy advisors continued to offer guidance.

Members with electric vehicles benefitted from a special EV rate, as well as two local EV charging stations Central installed.



Powering a brighter future



Crews work to reduce the biggest cause of power outages – trees falling on power lines. Your cooperative maintains 2,564 miles of right-of-way to keep uninterrupted power flowing to homes and businesses.

Reliable electricity was more important than ever for remote work and learning in 2020. Crews cleared trees away from power lines, reducing the risk of outages and the need for costly repairs. This, along with other efforts to maintain and strengthen our power delivery system, kept safe, reliable and affordable electricity flowing 99.96% of the time.

While major hurricanes avoided the service area in 2020, the Gulf Coast was hit hard.

Central Electric crews traveled there to help cooperatives restore power following hurricanes Sally and Laura.

After recent hurricanes Matthew and Florence, crews from as far away as Alabama and Connecticut came to help us restore power to our members. Central was more than ready to return the favor to co-ops along the Gulf Coast. This mutual aid is another benefit of the cooperative network.



Central Electric's customer service staff helped Beauregard EMC, in Louisiana, stay in touch with its members after Hurricane Laura took down phone lines for several days. The Central team fielded calls day and night from Beauregard's members.

Looking to the future, your cooperative remains focused on powering you with electricity that is reliable, affordable and environmentally responsible. Our efforts are centered in a commitment with N.C.'s other electric cooperatives to reduce carbon emissions by 50% by 2030 to 0% by 2050.

No matter what unforeseen obstacles come our way, we will power through the storms – and into a brighter future – together.

FINANCIAL REPORTS

The Balance Sheet shows total assets increased by almost \$2.37 million during 2020. This raised the value of assets to more than \$121 million. Central Electric's membership fees, patronage capital and other equities totaled \$56,851,963.

This member-furnished capital represents 46.73% of Central Electric's assets. These funds are invested in Central Electric's utility plant (lines, transformers, poles, trucks, etc.) to help ensure a reliable power delivery system.

The Statement of Operations shows operating revenue decreased 2.44% from 2019. The total cost of supplying electric service decreased 4.62% from 2019. Wholesale power, the largest expense, represented 60.82% of all expenses.

As a cooperative, operating margins (difference between revenue and cost of service) are posted to each member's capital credits account. In 2020, operating margins were 3.58% compared with 1.38% in 2019.

The average number of consumers served increased from Jan. 1, 2020 to Dec. 31, 2020

by 1.28% as compared with 1.13% in 2019. The 2020 monthly average residential kilowatt-hours (kWh) sold per account was 1,253 kWh.

Cost of Wholesale Power:



How Your Dollar Was Spent in 2020:



Key Statistics

| At Year Ending: | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|--------|--------|--------|--------|--------|
| Miles of Line Energized | 2,564 | 2,546 | 2,531 | 2,517 | 2,503 |
| Number of Consumers Served | 23,394 | 23,098 | 22,840 | 22,681 | 22,443 |
| Average Residential kWh Used per Month | 1,253 | 1,315 | 1,388 | 1,268 | 1,310 |

The simplified Balance Sheet and Statement of Operations in this report for the 2020 and 2019 calendar years should assist members' review of the cooperative's financial condition. The accounting firm of Adams, Jenkins, and Cheatham completed its audit of the cooperative in April 2021. Copies of the report are available online at CEMCPower.com and at the Central Electric business office. The report shows Central Electric is financially sound.

Balance Sheet as of Dec. 31

| | 2020 | 2019 |
|---------------------------------------|----------------------|----------------------|
| Assets: | | |
| Electric Plant at Original Cost | \$132,723,756 | \$126,920,000 |
| Construction Work in Progress | 217,720 | 255,456 |
| Less Depreciation | (44,021,315) | (41,465,101) |
| Investments/Association Organizations | 17,603,321 | 16,345,349 |
| Cash | 1,536,307 | 2,570,172 |
| Temporary Investments | 1,280,219 | 255,214 |
| Notes Receivable | 197,802 | 228,037 |
| Accounts Receivable | 8,740,511 | 9,422,457 |
| Material and Supplies | 1,078,438 | 846,117 |
| Prepayments and Accrued Assets | 121,084 | 114,820 |
| Regulatory Assets | 2,142,024 | 2,602,208 |
| Deferred Debits | 28,065 | 1,179,419 |
| Total | \$121,647,932 | \$119,274,148 |
| Liabilities: | | |
| Long-Term Debt: CFC | \$46,269,224 | \$43,427,272 |
| Consumer Deposits | 1,518,380 | 1,592,780 |
| Notes Payable | 0 | 1,840,073 |
| Accounts Payable | 4,561,216 | 4,070,219 |
| Accumulated Operating Provisions | 5,270,478 | 5,368,366 |
| Current Maturities Long-Term Debt | 3,057,954 | 2,791,985 |
| Other Liabilities | 4,118,717 | 6,571,008 |
| Membership Fees | 102,635 | 101,150 |
| Patronage Capital & Other Equities | 56,851,963 | 53,511,295 |
| Total | \$121,647,932 | \$119,274,148 |

Statement of Operations as of Dec. 31

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Operating Revenue: | \$54,233,408 | \$55,592,294 |
| Expenses: | | |
| Cost of Purchased Power | \$31,807,029 | \$35,269,329 |
| Transmission Expense | 140,951 | 83,157 |
| Distribution Expense-Operations | 3,601,258 | 3,364,521 |
| Distribution Expense-Maintenance | 2,931,288 | 3,019,308 |
| Consumer Accounts Expense | 1,343,387 | 1,510,480 |
| Consumer Service & Information Expense | 710,445 | 595,811 |
| Sales Expense | 234,056 | 187,808 |
| Administration & General Expense | 5,287,428 | 4,748,789 |
| Depreciation & Amortization Expense | 4,218,174 | 4,082,313 |
| Taxes | 0 | 0 |
| Interest on Long-Term Debt | 2,019,169 | 1,964,683 |
| Total Cost of Electric Service: | \$52,293,185 | \$54,826,199 |
| Our Margins: | | |
| Operating Margins | \$1,940,223 | \$766,095 |
| Non-Operating Margins | 2,401,981 | 2,374,761 |
| Total Margins: | \$4,342,204 | \$3,140,856 |

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 2020, Central returned \$1.1 million in Capital Credits to members, who received service from the cooperative during 2000 or 2001, bringing the total returned to more than \$13.7 million in the past 12 years.

BOARD OF DIRECTORS



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Vice President



James B. Brooks
Secretary-Treasurer



W. Phillip Thompson
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L. Frank Comer, III



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