

# CENTRAL ELECTRIC MEMBERSHIP CORPORATION

## Minutes of the 2020 Annual Member Meeting

October 2, 2020

Sanford, North Carolina

Pursuant to due notice thereof, the 2020 Annual Member Meeting ("Meeting") of Central Electric Membership Corporation ("Central EMC" or the "Cooperative") was conducted Remotely and Virtually via Streaming Video (over the Internet) from Central EMC Headquarters in Sanford, North Carolina, beginning at 10:00 a.m. on Friday, October 2, 2020. President Rebecca G. Cogan presided over the Annual Meeting. Reverend William Neal of the African Methodist Episcopal Zion Church gave the invocation. Deloris Shaw presented the Pledge of Allegiance.

The Annual Meeting was conducted virtually, without objection, due to the COVID-19 Pandemic in order to ensure the safety of the Cooperative Members and the Cooperative Employees. Members were given the opportunity to vote for the Election of Directors by submitting a ballot by United States Mail or by submitting a ballot electronically. Section 3.09 of the Central EMC Bylaws provides that Management will count each Member who submitted a "Vote" (either electronically or by United States Mail) as attending this Remote Streaming Meeting for purposes of a Quorum.

With Cynthia M. Currin, General Counsel, presiding at the Business Session at the request of the Cooperative's Board of Directors, and with these minutes being transcribed under the direction of Secretary James B. Brooks, the following proceedings were had:

1. President Cogan welcomed the Membership to Central Electric's 79<sup>th</sup> Annual Meeting and thanked them for their attendance. President Cogan expressed, on behalf of the Board of Directors, appreciation to General Manager Edward B. Oldham and to all Central Electric employees for their dedication and hard work.

2. General Counsel, Cynthia M. Currin provided the following report. The Central EMC Bylaws define a Quorum for the Annual Meeting as 2% of the Membership or 392 Members.

Central EMC Bylaw §3.09 provides that (for purposes of a Remote Streaming Annual Meeting), Central EMC will count each Member who submitted a "Vote" for the Election of Directors (either electronically or via United States Mail) as attending this Annual Meeting for purposes of a Quorum.

Central EMC had 789 Members submit a "Vote" for the Election of Directors. Therefore, the number of Members participating by Vote exceeded the Quorum requirements. The Annual Meeting could therefore proceed as scheduled.

The Cooperative mailed a Notice of the Annual Meeting to each Member by United States Mail on August 24, 2020. This Notice of Annual Meeting was prominently published and displayed on the Cover-Wrap of the Carolina Country Magazine.

Management reviewed the Proof of Mailing from the Carolina Country Publication which certified that the Notice was mailed to all Central EMC Members on August 24, 2020.

Both the Notice and the Proof of Mailing satisfied the Central EMC Bylaw requirements. Each document is a part of the Cooperative's official files.

3. General Counsel Cynthia M. Currin reported that the Minutes of the Minutes of the 2019 Annual Member Meeting had been posted on the Central EMC website. In accordance with the Membership's standard directives, these Minutes of the 2019 Annual Member Meeting will be submitted to the Board of Directors for review and approval.

Ms. Currin reported that the Business Session would continue with the Central EMC Officers' Reports.

4. The Officers' Reports were presented to the Membership in the form of an audio/visual presentation providing the following information:

Fiscal Year 2020 had been unprecedented. The COVID-19 Pandemic pushed the Cooperative Members into stressful situations and harsh economic times. The Pandemic reminded us of the importance of Community. Central EMC remained true to its long-standing loyalty to the Membership, the Member-Owners.

As "Stay-at-Home" orders increased the need for a reliable energy grid, Central EMC worked to maintain and improve its system. Central EMC supported individuals and Community by postponing disconnections, waiving late payment fees and directing Operation Round-Up<sup>®</sup> funds and other funds to local non-profits. Central EMC made every effort to remain accessible by increasing Members' abilities to connect to the Cooperative through on-line "Chat" features and the Central EMC mobile "App".

Rural Electric Cooperatives were formed on the principle of "Community": "Together, We Can Work to Benefit all Members". While the circumstances were different in Fiscal Year 2020, the commitment remained the same. Central EMC was there to serve its Members.

## I. Community

As the local, trusted energy partner, Central EMC continued to maintain the highest level of service to its Members. Central EMC also maintained a high level of Community involvement. Central North Carolina is a growing and thriving region. Central EMC believes that it is vital to the Central EMC Mission to support not just its Members -- but to also provide ways for the Members to support each other.

Operation Round-Up<sup>®</sup> is one of the Central EMC programs that has a direct and immediate impact on the well-being of those in need in the communities that the Cooperative serves. In Fiscal Year 2019 the Cooperative contributed over \$100,000.00 back to the community through Operation Round-Up<sup>®</sup>. In addition to regular funding, the Cooperative also directed the emergency Operation Round-Up<sup>®</sup> funds to charitable organizations on the front-lines of the Pandemic.

Central EMC suspended disconnections for non-payment. The Cooperative waived late payment fees. This assisted Members through the economic uncertainty brought on by COVID-19.

Central EMC continues to work with Members to ease the economic impact of the virus. Central EMC opened up a free Wi-Fi hotspot at its office parking lot for anyone with school-aged children needing internet access for educational materials during school closures.

Central EMC has continued its commitment to education by funding local educators through the Bright Ideas Grants and by funding Scholarships for five deserving Members to attend Central Carolina Community College and Sandhills Community College. Central EMC sponsored students to attend the Electric Cooperative Youth Tour to Washington, D.C. and the Touchstone Energy Sports Camp Scholarships.

## II. Operations

The Central EMC core mission is to provide Member-Owners with reliable and affordable electricity now and into the future. Our Right-of-Way clearing program is critical to keep the electric power flowing. Power interruptions occur when trees, shrubs or bushes grow too close to the power line. That's why the Cooperative is diligent in maintaining Right-of-Way areas. Maintaining the Right-of-Way not only keeps each Member's home connected, it also keeps Members in our community safe. Members should remember to contact the Cooperative rather than trying to trim or remove trees near power lines.

Central EMC also makes investments in safety and training to ensure reliable and affordable electricity. Central EMC makes it a top priority to train its line workers to safely and properly handle high voltage equipment. Central EMC has invested in State-of-the-Art training equipment which allows Central EMC to provide its line workers with hands-on, real world training experience. Central EMC is the first Cooperative in the Southeast to own and operate a simulated electric grid training facility. The training equipment replicates the same conditions line workers face in the field, teaching them how to address electric line issues and work safely around the high-voltage equipment.

Central EMC offers a free mobile “App” available in both the App Store and Android Market. Central EMC also keeps its Members connected through its Web Portal at [www.CentralEMCPower.com](http://www.CentralEMCPower.com), as well as through its new 24/7 online “Chat” feature. The “Chat” feature ensures Members can contact the Cooperative from any device. Members can log-on and “Chat” with Central EMC Customer Service Representatives for fast, secure and convenient service.

Central EMC is prepared for emerging trends. In 2019, Central EMC adopted emerging technology related to Electric Vehicles. Central EMC installed two (2) Electric Vehicle charging stations and added an Electric Vehicle to its fleet. The best way to learn about new technology is to use it. Central EMC encourages its employees to drive the new Electric Vehicle so that Central EMC can be prepared to respond to questions from its Membership concerning Electric Vehicles. Central EMC continues to embrace and develop change.

### III. **Accounting**

Accurate and prudent financial planning is an integral part of serving as the Members’ trusted energy partner. The following is a breakdown of how the Central EMC revenue was disbursed in 2019:

- The largest share of each dollar, 64¢, was used to purchase Wholesale Power;
- Operating costs for maintaining power lines, fuel costs for our vehicles, tree trimming and taxes totaled 24¢ of every dollar;
- A total of 7¢ from every dollar, went to depreciation -- the decline in the value of equipment or property over its life;
- A total of 4¢ from every dollar, paid for interest, the cost of borrowing money to continuously build electric lines, and;
- Total margins (the difference between revenue and cost of service) represented just 1¢ of every dollar.

Electric Cooperatives operate as close to “at-cost” as possible. Cooperatives return margins to the Members. When the Cooperative’s financial condition permits, Capital Credits are returned in the form of checks or bill credits. This past year marks the 11<sup>th</sup> year in a row that Central EMC has retired Capital Credits to its Members. During the past eleven (11) years, Central EMC has returned \$12.2 Million in Capital Credits to its Members.

In Fiscal Year 2019, Central EMC returned \$1.2 Million to the Members based on the electric service purchased from the Cooperative during Fiscal Years 1999 and 2000.

### III. **Tributes to Morris McClellion and Reid Harris**

Central EMC has been fortunate to have great leadership. In 2019, Central EMC said “Goodbye” in different ways to two of the Cooperative’s great leaders.

Morris McClellion retired after serving sixteen (16) at the helm as CEO and General Manager. During Mr. McClellion’s tenure as General Manager, the Cooperative built upon its strong-community centered foundation by issuing over \$1 Million in economic development loans and grants and forming both the Central Electric Member Care Trust and the Cooperative’s subsidiary Sandhills Utility Services.

In recognition for his community-focused service and leadership Mr. McClellion was honored with the “Order of the Long Leaf Pine” issued by North Carolina Governor Roy Cooper. The prestigious award is presented to individuals who have established a proven record of extraordinary service and exceptional accomplishments to the State and its Communities. This honor is one of the most prestigious awards issued by the North Carolina Governor’s office. The list of recipients is a distinguished group of individuals. Central EMC expressed its appreciation to Morris McClellion for the many years of great leadership, guidance and service he provided to the Members as well as each of the Cooperative’s employees and Directors.

In 2019, Central EMC also said “Goodbye” in a much different way to former General Manager Reid Harris, who passed away in November, 2019, at the age of 95. Mr. Harris served as General Manager for thirty-five (35) years until his retirement in March, 1992. In addition to his service to the Cooperative, Mr. Harris was also a public servant for his Country and Community, having served two (2) years in the United States Army and many more in local community organizations. While at the helm for Central EMC, Mr. Harris led the Cooperative through many years of growth, while it was fulfilling its original purpose, to bring electricity to rural homes and farms. Harris was one of the early prominent leaders of the North Carolina Electric Cooperative movement. Mr. Harris had a direct hand in electrifying Central North Carolina.

Reid Harris was a great man, a great leader, and a true champion of the Cooperative and everything it stands for. The Cooperative expressed its thanks to Mr. Harris for providing a great example for the rest of us to follow.

#### IV. **Conclusion to Officers’ Report**

The employees of Central EMC are hardworking, service-minded individuals. If a storm knocks down a power line, EMC employees stand ready to respond at any hour in any conditions.

Central EMC experienced a strong year financially in 2019. Wise investments from previous years allowed Central EMC to handle the growth in this prosperous region. As Central EMC faces challenges, Central EMC will continue making prudent decisions on the best ways to serve its Members-Owners. As the Community continues to deal with the lasting effects of COVID-19, the Community can count on its Cooperative, Central EMC to be there for the Membership.

5. Edward B. Oldham, the General Manager and Chief Executive Officer of Central EMC, presented the Manager’s Address. Mr. Oldham expressed his appreciation to the Membership for participating in the Annual Meeting and for viewing the streaming video of the Annual Member Meeting.

The Annual Member Meeting is a vital part of the Cooperative Business Model. Although the Central EMC employees were disappointed that they were not able to conduct an “in-person” Annual Member Meeting this year, those same employees were excited to be able to present the Cooperative Annual Member Meeting to each of the Members in a streaming, video format this year. The Central EMC Board of Directors made the decision to adapt to a “virtual” format for the Annual Member Meeting this year in order to protect the safety of the Members and Employees.

The COVID-19 Pandemic has drastically affected the lives of Central EMC Members. As the local trusted energy partner, Central EMC has worked hard to provide the electric service that its Members expect. Supporting the Central EMC Members, as well as the local Communities that the Cooperative serves is a vital part of the Cooperative mission. Central EMC has continued its business operations and ensured a high-level of service to its Members.

Although the Central EMC Office has been closed during the Pandemic to walk-in traffic, the Central EMC drive-through has remained open to assist Members. Office personnel adapted to working remotely – something completely new to the Cooperative.

The Operations personnel and line-workers adapted seamlessly to staggered shifts and social distancing.

Central EMC has adopted evolving technologies over the years which have been beneficial to the Membership during the Pandemic. Resources were made available through the Cooperative website ([www.Central\\_EMCPower.com](http://www.Central_EMCPower.com)), through the Central Electric Member Service Portal, through the free mobile App and through the new “Chat” feature.

The Cooperative was quick to postpone disconnections for non-payment and to waive late payment fees. The Cooperative allowed Members who had outstanding electric bills due to the Pandemic up to twelve-months to pay their bills to the Cooperative. This was “interest free”.

Central EMC continues to grow, adding several hundred Members each year. The Cooperative projects rapid growth in the future in the Chatham Park Community of Pittsboro.

One of the greatest challenges that Central EMC faces each year is managing and cutting the Right-of-Way. Maintaining the Right-of-Way is important to prevent outages and to increase system reliability.

The Cooperative is proud of its excellent reliability rating of 99.96% in 2019.

The Cooperative strives to continue improving its electric service. In 2019, Central EMC adopted a new eight-year Right-of-Way Work Plan. Central EMC began implementation of that Plan in the northern part of the system.

Central EMC continues to stay abreast of technology trends. Electric Vehicles are becoming a hot item in the auto world. The Cooperative recently added an Electric Vehicle to its fleet of vehicles – a Tesla Model 3. Electric Vehicles provide environmental advantages, tax credits and lower operating costs than gas-powered vehicles.

The Cooperative added two local public-use Electric Vehicle chargers: (1) One at the Jordan Dam Mini Mart in Moncure, and; (2) A second charger at the Cooperative office location in Sanford.

Cooperative employees are available to respond to questions Members may have regarding Electric Vehicles. Mr. Oldham recommended that Members take a test drive in an Electric Vehicle before making a decision about purchasing their next car.

Central EMC will issuing a General Retirement of Capital Credits in the Fall of 2020. Central EMC sets its electric rates as close to “at-cost” as possible. The Cooperative works hard to control its costs. This is the beauty of not-for-profit Cooperative Model. Any revenue left over after expenses are paid is returned directly to the Members. In the Fall of 2020, Central EMC will return \$1.1 Million in a General Retirement of Capital Credits to the Members.

With the 2020 General Retirement, Central EMC will have returned over \$13.7 Million to its Members in the past twelve (12) years.

Members should watch for their Capital Credit checks in the mail sometime around Thanksgiving -- and no later than December 1, 2020. Any Capital Credit amounts less than \$25.00 will be issued as a credits shown on the billing statement for the month.

Capital Credits represent the Members’ investment in the Members’ Cooperative. That Cooperative business model benefits the Member.

Central EMC is no stranger to difficult situations. The Cooperative is frequently on the frontline battling multiple storms – ice storms, snow storms and major hurricanes. The COVID-19 Pandemic has added a new challenge for the Cooperative.

Despite these circumstances and challenges, the Cooperative continues to work hard for its Members. Central EMC appreciates each and every Member and is grateful to be a part of this Community, providing electricity and services that power the Members' lives. Central EMC is here for its Members.

In closing, Mr. Oldham thanked the Membership for participating in the 2020 Virtual Annual Member Meeting.

This concluded Mr. Oldham's report. He turned the meeting back over to General Counsel, Cynthia M. Currin.

6. Ms. Currin provided a summary of the current Members of the Board of Directors.

The Business Session continued with the Election of Directors. Ms. Currin explained the two (2) methods by which an individual can be nominated as a candidate for election to the Cooperative's Board of Directors. These methods include nomination by the Cooperative's Nominating Committee and nomination by written petition.

The Central EMC Nominating Committee met on June 1, 2020 via telephone conference (due to the COVID-19 Pandemic). The Committee elected Richard Williams as the Chairman and Carolyn Cameron as the Secretary. The Cooperative's Nominating Committee nominated the following individuals to stand for election for the Board:

- (1) District 1 (Lee County) – Rebecca G. Cogan;
- (2) District 2 (Chatham and Randolph Counties) – Carl Henry Outz, Jr.;
- (3) District 3 (Harnett County) – Henry Randolph, and;
- (4) District 4 (Moore County) – Timothy Priest.

Ms. Currin stated that the Cooperative had received no written petitions nominating additional individuals to stand for elections.

Ms. Currin then provided a report on the Election results. Central EMC had hired an independent third-party Consultant, Survey and Balloting Services ("SBS") to tabulate the Members' Votes. Central EMC Members had voted by either: (1) Returning the ballot through United State Mail, or (2) Voting electronically.

Ms. Currin reported the results of the tabulation of Votes for the Election (as certified by SBS) and the individuals elected for each position as follows:

- District 1, Rebecca G. Cogan received 696 votes;
- District 2, Carl Henry Outz, Jr. received 616 votes;
- District 3, Henry Randolph received 644 votes, and;
- District 4, Timothy Priest received 625 votes.

Each of these Directors will serve three (3) year terms as members of the Board. Such terms expire at the 2023 Annual Member Meeting.

7. Ms. Currin reported that no Member has presented any old business to come before the Membership.

8. Ms. Currin reported that no Member has presented any new business to come before the Membership.

9. There being no further business, the meeting was adjourned.

SIGNED:

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James B. Brooks, Secretary

APPROVED:

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Rebecca G. Cogan, President